

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2014.

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Transition Period From \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-33748

**DUPONT FABROS TECHNOLOGY, INC.  
DUPONT FABROS TECHNOLOGY, L.P.**

(Exact name of registrant as specified in its charter)

**Maryland (DuPont Fabros Technology, Inc.)  
Maryland (DuPont Fabros Technology, L.P.)**

(State or other jurisdiction of  
Incorporation or organization)

**1212 New York Avenue, NW, Suite 900  
Washington, D.C.**

(Address of principal executive offices)

**20-8718331**

**26-0559473**

(IRS employer  
identification number)

**20005**

Zip Code

**Registrant's telephone number, including area code: (202) 728-0044**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.:

Large accelerated Filer ☒

(DuPont Fabros Technology, Inc. only)

Accelerated filer

☐

Non-accelerated Filer ☒ (Do not check if a smaller reporting company)

(DuPont Fabros Technology, L.P. only)

Smaller reporting company

☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

**Class**

DuPont Fabros Technology, Inc. Common Stock,  
\$0.001 par value per share

**Outstanding at July 18, 2014**

65,831,672

## **EXPLANATORY NOTE**

This report combines the quarterly reports on Form 10-Q for the quarter ended June 30, 2014 of DuPont Fabros Technology, Inc. and DuPont Fabros Technology, L.P. References to “DFT” mean DuPont Fabros Technology, Inc. and its controlled subsidiaries; and references to the “Operating Partnership” or “OP” mean DuPont Fabros Technology, L.P. and its controlled subsidiaries. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “we,” “us,” “our,” “our Company” or “the Company” refer to DFT and the Operating Partnership, collectively.

DFT is a real estate investment trust (“REIT”) and the general partner of the Operating Partnership. The Operating Partnership’s capital includes general and limited common operating partnership units, or “OP units.” As of June 30, 2014, DFT owned 80.9% of the common economic interest in the Operating Partnership, with the remaining interest being owned by investors. As the sole general partner of the Operating Partnership, DFT has exclusive control of the Operating Partnership’s day-to-day management.

We believe combining the quarterly reports on Form 10-Q of DFT and the Operating Partnership into this single report provides the following benefits:

- enhances investors’ understanding of DFT and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure in this report applies to both DFT and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

We operate DFT and the Operating Partnership as one business. The management of DFT consists of the same employees as the management of the Operating Partnership.

We believe it is important for investors to understand the few differences between DFT and the Operating Partnership in the context of how DFT and the Operating Partnership operate as a consolidated company. DFT is a REIT, whose only material asset is its ownership of OP units of the Operating Partnership. As a result, DFT does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public equity from time to time and guaranteeing unsecured debt of the Operating Partnership. DFT has not issued any indebtedness, but has guaranteed all of the unsecured debt of the Operating Partnership. The Operating Partnership holds all the real estate assets of the Company. Except for net proceeds from public equity issuances by DFT, which are contributed to the Operating Partnership in exchange for OP units or preferred units, the Operating Partnership generates all remaining capital required by our business. These sources include the Operating Partnership’s operations, its direct or indirect incurrence of indebtedness, and the issuance of partnership units.

As general partner with control of the Operating Partnership, DFT consolidates the Operating Partnership for financial reporting purposes. The presentation of stockholders’ equity and partners’ capital are the main areas of difference between the consolidated financial statements of DFT and those of the Operating Partnership. The Operating Partnership’s capital includes preferred units and general and limited common units that are owned by DFT and the other partners. DFT’s stockholders’ equity includes preferred stock, common stock, additional paid in capital and retained earnings. The common limited partnership interests held by the limited partners (other than DFT) in the Operating Partnership are presented as “redeemable partnership units” in the Operating Partnership’s consolidated financial statements and as “redeemable noncontrolling interests-operating partnership” in DFT’s consolidated financial statements. The only difference between the assets and liabilities of DFT and the Operating Partnership as of June 30, 2014 is a \$4.2 million bank account held by DFT that is not part of the Operating Partnership. Net income is the same for DFT and the Operating Partnership.

In order to highlight the few differences between DFT and the Operating Partnership, there are sections in this report that discuss DFT and the Operating Partnership separately, including separate financial statements, controls and procedures sections, and Exhibit 31 and 32 certifications. In the sections that combine disclosure for DFT and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that enters into contracts, holds assets and issues debt, we believe that reference to the Company in this context is appropriate because the business is one enterprise and we operate the business through our Operating Partnership.

**DUPONT FABROS TECHNOLOGY, INC. / DUPONT FABROS TECHNOLOGY, L.P.**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED JUNE 30, 2014**

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**PART 1—FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**
**DUPONT FABROS TECHNOLOGY, INC.**
**CONSOLIDATED BALANCE SHEETS**
**(in thousands except share data)**

|  | June 30,<br>2014    | December 31,<br>2013 |
|--|---------------------|----------------------|
|  | (unaudited)         |                      |
| <b>ASSETS</b>  |                     |                      |
| Income producing property:   |                     |                      |
| Land   | \$ 81,006           | \$ 75,956            |
| Buildings and improvements   | 2,524,016           | 2,420,986            |
|  | 2,605,022           | 2,496,942            |
| Less: accumulated depreciation   | (457,696)           | (413,394)            |
| Net income producing property  | 2,147,326           | 2,083,548            |
| Construction in progress and land held for development   | 310,935             | 302,068              |
| Net real estate  | 2,458,261           | 2,385,616            |
| Cash and cash equivalents  | 56,141              | 38,733               |
| Rents and other receivables, net   | 10,443              | 12,674               |
| Deferred rent, net   | 148,022             | 150,038              |
| Lease contracts above market value, net  | 8,604               | 9,154                |
| Deferred costs, net  | 40,140              | 39,866               |
| Prepaid expenses and other assets  | 49,659              | 44,507               |
| <b>Total assets</b>  | <b>\$ 2,771,270</b> | <b>\$ 2,680,588</b>  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                     |                      |
| Liabilities:   |                     |                      |
| Line of credit   | \$ —                | \$ —                 |
| Mortgage notes payable   | 115,000             | 115,000              |
| Unsecured term loan  | 250,000             | 154,000              |
| Unsecured notes payable  | 600,000             | 600,000              |
| Accounts payable and accrued liabilities   | 24,089              | 23,566               |
| Construction costs payable   | 25,032              | 45,444               |
| Accrued interest payable   | 10,588              | 9,983                |
| Dividend and distribution payable  | 34,243              | 25,971               |
| Lease contracts below market value, net  | 8,783               | 10,530               |
| Prepaid rents and other liabilities  | 64,058              | 56,576               |
| <b>Total liabilities</b>   | <b>1,131,793</b>    | <b>1,041,070</b>     |
| Redeemable noncontrolling interests – operating partnership  | 419,801             | 387,244              |
| Commitments and contingencies  | —                   | —                    |
| Stockholders' equity:  |                     |                      |
| Preferred stock, \$.001 par value, 50,000,000 shares authorized:   |                     |                      |
| Series A cumulative redeemable perpetual preferred stock, 7,400,000 issued and outstanding at June 30, 2014 and December 31, 2013  | 185,000             | 185,000              |
| Series B cumulative redeemable perpetual preferred stock, 6,650,000 issued and outstanding at June 30, 2014 and December 31, 2013  | 166,250             | 166,250              |
| Common stock, \$.001 par value, 250,000,000 shares authorized, 65,831,672 shares issued and outstanding at June 30, 2014 and 65,205,274 shares issued and outstanding at December 31, 2013 | 66                  | 65                   |
| Additional paid in capital   | 868,360             | 900,959              |
| Retained earnings  | —                   | —                    |
| <b>Total stockholders' equity</b>  | <b>1,219,676</b>    | <b>1,252,274</b>     |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 2,771,270</b> | <b>\$ 2,680,588</b>  |

See accompanying notes

# DUPONT FABROS TECHNOLOGY, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited and in thousands except share and per share data)

|  | Three months ended June 30, |            | Six months ended June 30, |            |
|--|-----------------------------|------------|---------------------------|------------|
|  | 2014                        | 2013       | 2014                      | 2013       |
| <b>Revenues:</b>   |                             |            |                           |            |
| Base rent  | \$ 70,455                   | \$ 65,438  | \$ 139,659                | \$ 129,570 |
| Recoveries from tenants  | 29,964                      | 25,319     | 61,653                    | 48,009     |
| Other revenues   | 1,531                       | 807        | 2,725                     | 1,744      |
| Total revenues   | 101,950                     | 91,564     | 204,037                   | 179,323    |
| <b>Expenses:</b>   |                             |            |                           |            |
| Property operating costs   | 27,782                      | 24,767     | 57,877                    | 48,279     |
| Real estate taxes and insurance  | 3,411                       | 3,673      | 6,878                     | 7,314      |
| Depreciation and amortization  | 23,603                      | 23,196     | 46,872                    | 46,235     |
| General and administrative   | 3,868                       | 4,332      | 8,108                     | 8,882      |
| Other expenses   | 1,599                       | 585        | 2,472                     | 1,357      |
| Total expenses   | 60,263                      | 56,553     | 122,207                   | 112,067    |
| Operating income   | 41,687                      | 35,011     | 81,830                    | 67,256     |
| Interest income  | 39                          | 16         | 107                       | 53         |
| <b>Interest:</b>   |                             |            |                           |            |
| Expense incurred   | (7,707)                     | (12,505)   | (15,531)                  | (25,442)   |
| Amortization of deferred financing costs   | (723)                       | (775)      | (1,466)                   | (1,693)    |
| Loss on early extinguishment of debt   | (338)                       | —          | (338)                     | (1,700)    |
| Net income   | 32,958                      | 21,747     | 64,602                    | 38,474     |
| Net income attributable to redeemable noncontrolling interests – operating partnership | (5,026)                     | (2,965)    | (9,814)                   | (4,938)    |
| Net income attributable to controlling interests                                       | 27,932                      | 18,782     | 54,788                    | 33,536     |
| Preferred stock dividends  | (6,811)                     | (6,811)    | (13,622)                  | (13,622)   |
| Net income attributable to common shares   | \$ 21,121                   | \$ 11,971  | \$ 41,166                 | \$ 19,914  |
| <b>Earnings per share – basic:</b>   |                             |            |                           |            |
| Net income attributable to common shares   | \$ 0.32                     | \$ 0.19    | \$ 0.63                   | \$ 0.31    |
| Weighted average common shares outstanding   | 65,486,202                  | 64,380,566 | 65,417,615                | 64,733,309 |
| <b>Earnings per share – diluted:</b>   |                             |            |                           |            |
| Net income attributable to common shares   | \$ 0.32                     | \$ 0.18    | \$ 0.63                   | \$ 0.30    |
| Weighted average common shares outstanding   | 65,951,113                  | 65,188,907 | 65,887,897                | 65,556,852 |
| Dividends declared per common share  | \$ 0.35                     | \$ 0.25    | \$ 0.70                   | \$ 0.45    |

See accompanying notes

**DUPONT FABROS TECHNOLOGY, INC.**

**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**(unaudited and in thousands except share data)**

|  | Preferred<br>Stock | Common Shares     |              | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Total               |
|--|--------------------|-------------------|--------------|----------------------------------|----------------------|---------------------|
|  |                    | Number            | Amount       |                                  |                      |                     |
| Balance at December 31, 2013   | \$ 351,250         | 65,205,274        | \$ 65        | \$ 900,959                       | \$ —                 | \$ 1,252,274        |
| Net income attributable to controlling interests                           |                    |                   |              |                                  | 54,788               | 54,788              |
| Dividends declared on common stock   |                    |                   |              | (4,907)                          | (41,166)             | (46,073)            |
| Dividends earned on preferred stock  |                    |                   |              | —                                | (13,622)             | (13,622)            |
| Redemption of operating partnership units                                  |                    | 100,300           | —            | 2,400                            |                      | 2,400               |
| Issuance of stock awards   |                    | 160,519           | —            | 360                              |                      | 360                 |
| Stock option exercises   |                    | 409,134           | 1            | 3,456                            |                      | 3,457               |
| Retirement and forfeiture of stock awards                                  |                    | (43,555)          | —            | (1,153)                          |                      | (1,153)             |
| Amortization of deferred compensation costs                                |                    |                   |              | 3,292                            |                      | 3,292               |
| Adjustments to redeemable noncontrolling interests – operating partnership |                    |                   |              | (36,047)                         |                      | (36,047)            |
| Balance at June 30, 2014   | <u>\$ 351,250</u>  | <u>65,831,672</u> | <u>\$ 66</u> | <u>\$ 868,360</u>                | <u>\$ —</u>          | <u>\$ 1,219,676</u> |

See accompanying notes

**DUPONT FABROS TECHNOLOGY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited and in thousands)

|  | Six months ended June 30, |                 |
|--|---------------------------|-----------------|
|  | 2014                      | 2013            |
| <b>Cash flow from operating activities</b>                                       |                           |                 |
| Net income   | \$ 64,602                 | \$ 38,474       |
| Adjustments to reconcile net income to net cash provided by operating activities |                           |                 |
| Depreciation and amortization  | 46,872                    | 46,235          |
| Loss on early extinguishment of debt   | 338                       | 1,700           |
| Straight line revenues, net of reserve   | 2,016                     | (6,654)         |
| Amortization of deferred financing costs   | 1,466                     | 1,693           |
| Amortization of lease contracts above and below market value                     | (1,197)                   | (1,195)         |
| Compensation paid with Company common shares                                     | 3,100                     | 3,515           |
| Changes in operating assets and liabilities                                      |                           |                 |
| Rents and other receivables  | 2,231                     | (3,219)         |
| Deferred costs   | (442)                     | (205)           |
| Prepaid expenses and other assets  | (6,229)                   | (10,650)        |
| Accounts payable and accrued liabilities   | (994)                     | 2,260           |
| Accrued interest payable   | 605                       | (254)           |
| Prepaid rents and other liabilities  | 6,260                     | 14,087          |
| Net cash provided by operating activities  | <u>118,628</u>            | <u>85,787</u>   |
| <b>Cash flow from investing activities</b>                                       |                           |                 |
| Investments in real estate – development   | (128,068)                 | (20,516)        |
| Interest capitalized for real estate under development                           | (6,163)                   | (504)           |
| Improvements to real estate  | (1,020)                   | (4,357)         |
| Additions to non-real estate property  | (283)                     | (24)            |
| Net cash used in investing activities  | <u>(135,534)</u>          | <u>(25,401)</u> |
| <b>Cash flow from financing activities</b>                                       |                           |                 |
| Line of credit:  |                           |                 |
| Proceeds   | —                         | 72,000          |
| Repayments   | —                         | (30,000)        |
| Mortgage notes payable:  |                           |                 |
| Proceeds   | —                         | 115,000         |
| Lump sum payoffs   | —                         | (138,300)       |
| Repayments   | —                         | (1,300)         |
| Unsecured term loan:   |                           |                 |
| Proceeds   | 96,000                    | —               |
| Payments of financing costs  | (2,816)                   | (3,036)         |
| Exercises of stock options   | 3,457                     | —               |
| Common stock repurchases   | —                         | (37,792)        |
| Dividends and distributions:   |                           |                 |
| Common shares  | (39,333)                  | (25,597)        |
| Preferred shares   | (13,622)                  | (13,622)        |
| Redeemable noncontrolling interests – operating partnership                      | (9,372)                   | (6,944)         |
| Net cash provided by (used in) financing activities                              | <u>34,314</u>             | <u>(69,591)</u> |

**DUPONT FABROS TECHNOLOGY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(unaudited and in thousands)**  
**(Continued)**

|  | Six months ended June 30, |                  |
|--|---------------------------|------------------|
|  | 2014                      | 2013             |
| Net increase (decrease) in cash and cash equivalents                       | 17,408                    | (9,205)          |
| Cash and cash equivalents, beginning                                       | 38,733                    | 23,578           |
| Cash and cash equivalents, ending  | <u>\$ 56,141</u>          | <u>\$ 14,373</u> |
| Supplemental information:  |                           |                  |
| Cash paid for interest   | <u>\$ 21,089</u>          | <u>\$ 26,200</u> |
| Deferred financing costs capitalized for real estate under development     | <u>\$ 354</u>             | <u>\$ 34</u>     |
| Construction costs payable capitalized for real estate under development   | <u>\$ 25,032</u>          | <u>\$ 5,762</u>  |
| Redemption of operating partnership units                                  | <u>\$ 2,400</u>           | <u>\$ 69,900</u> |
| Adjustments to redeemable noncontrolling interests - operating partnership | <u>\$ 36,047</u>          | <u>\$ 2,111</u>  |

See accompanying notes



# DUPONT FABROS TECHNOLOGY, L.P.

## CONSOLIDATED BALANCE SHEETS (in thousands except units)

|   | June 30,<br>2014           | December 31,<br>2013       |
|---|----------------------------|----------------------------|
|   | (unaudited)                |                            |
| <b>ASSETS</b>   |                            |                            |
| Income producing property:  |                            |                            |
| Land  | \$ 81,006                  | \$ 75,956                  |
| Buildings and improvements  | 2,524,016                  | 2,420,986                  |
|   | <u>2,605,022</u>           | <u>2,496,942</u>           |
| Less: accumulated depreciation  | (457,696)                  | (413,394)                  |
| Net income producing property   | <u>2,147,326</u>           | <u>2,083,548</u>           |
| Construction in progress and land held for development  | 310,935                    | 302,068                    |
| Net real estate   | <u>2,458,261</u>           | <u>2,385,616</u>           |
| Cash and cash equivalents   | 51,923                     | 34,514                     |
| Rents and other receivables, net  | 10,443                     | 12,674                     |
| Deferred rent, net  | 148,022                    | 150,038                    |
| Lease contracts above market value, net   | 8,604                      | 9,154                      |
| Deferred costs, net   | 40,140                     | 39,866                     |
| Prepaid expenses and other assets   | 49,659                     | 44,507                     |
| <b>Total assets</b>   | <u><u>\$ 2,767,052</u></u> | <u><u>\$ 2,676,369</u></u> |
| <b>LIABILITIES AND PARTNERS' CAPITAL</b>  |                            |                            |
| Liabilities:  |                            |                            |
| Line of credit  | \$ —                       | \$ —                       |
| Mortgage notes payable  | 115,000                    | 115,000                    |
| Unsecured term loan   | 250,000                    | 154,000                    |
| Unsecured notes payable   | 600,000                    | 600,000                    |
| Accounts payable and accrued liabilities  | 24,089                     | 23,566                     |
| Construction costs payable  | 25,032                     | 45,444                     |
| Accrued interest payable  | 10,588                     | 9,983                      |
| Dividend and distribution payable   | 34,243                     | 25,971                     |
| Lease contracts below market value, net   | 8,783                      | 10,530                     |
| Prepaid rents and other liabilities   | 64,058                     | 56,576                     |
| <b>Total liabilities</b>  | <u>1,131,793</u>           | <u>1,041,070</u>           |
| Redeemable partnership units  | 419,801                    | 387,244                    |
| Commitments and contingencies   | —                          | —                          |
| Partners' capital:  |                            |                            |
| Limited partners' capital:  |                            |                            |
| Series A cumulative redeemable perpetual preferred units, 7,400,000 issued and outstanding at June 30, 2014 and December 31, 2013 | 185,000                    | 185,000                    |
| Series B cumulative redeemable perpetual preferred units, 6,650,000 issued and outstanding at June 30, 2014 and December 31, 2013 | 166,250                    | 166,250                    |
| Common units, 65,169,299 issued and outstanding at June 30, 2014 and 64,542,901 issued and outstanding at December 31, 2013       | 855,513                    | 887,695                    |
| General partner's capital, common units, 662,373 issued and outstanding at June 30, 2014 and December 31, 2013                    | 8,695                      | 9,110                      |
| <b>Total partners' capital</b>  | <u>1,215,458</u>           | <u>1,248,055</u>           |
| <b>Total liabilities and partners' capital</b>  | <u><u>\$ 2,767,052</u></u> | <u><u>\$ 2,676,369</u></u> |

See accompanying notes

# DUPONT FABROS TECHNOLOGY, L.P.

## CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited and in thousands except unit and per unit data)

|   | Three months ended June 30, |            | Six months ended June 30, |            |
|---|-----------------------------|------------|---------------------------|------------|
|   | 2014                        | 2013       | 2014                      | 2013       |
| <b>Revenues:</b>                          |                             |            |                           |            |
| Base rent                                 | \$ 70,455                   | \$ 65,438  | \$ 139,659                | \$ 129,570 |
| Recoveries from tenants                   | 29,964                      | 25,319     | 61,653                    | 48,009     |
| Other revenues                            | 1,531                       | 807        | 2,725                     | 1,744      |
| Total revenues                            | 101,950                     | 91,564     | 204,037                   | 179,323    |
| <b>Expenses:</b>                          |                             |            |                           |            |
| Property operating costs                  | 27,782                      | 24,767     | 57,877                    | 48,279     |
| Real estate taxes and insurance           | 3,411                       | 3,673      | 6,878                     | 7,314      |
| Depreciation and amortization             | 23,603                      | 23,196     | 46,872                    | 46,235     |
| General and administrative                | 3,868                       | 4,332      | 8,108                     | 8,882      |
| Other expenses                            | 1,599                       | 585        | 2,472                     | 1,357      |
| Total expenses                            | 60,263                      | 56,553     | 122,207                   | 112,067    |
| Operating income                          | 41,687                      | 35,011     | 81,830                    | 67,256     |
| Interest income                           | 39                          | 16         | 107                       | 53         |
| <b>Interest:</b>                          |                             |            |                           |            |
| Expense incurred                          | (7,707)                     | (12,505)   | (15,531)                  | (25,442)   |
| Amortization of deferred financing costs  | (723)                       | (775)      | (1,466)                   | (1,693)    |
| Loss on early extinguishment of debt      | (338)                       | —          | (338)                     | (1,700)    |
| Net income                                | 32,958                      | 21,747     | 64,602                    | 38,474     |
| Preferred unit distributions              | (6,811)                     | (6,811)    | (13,622)                  | (13,622)   |
| Net income attributable to common units   | \$ 26,147                   | \$ 14,936  | \$ 50,980                 | \$ 24,852  |
| <b>Earnings per unit – basic:</b>         |                             |            |                           |            |
| Net income attributable to common units   | \$ 0.32                     | \$ 0.19    | \$ 0.63                   | \$ 0.31    |
| Weighted average common units outstanding | 81,064,230                  | 80,311,476 | 81,010,515                | 80,781,930 |
| <b>Earnings per unit – diluted:</b>       |                             |            |                           |            |
| Net income attributable to common units   | \$ 0.32                     | \$ 0.18    | \$ 0.63                   | \$ 0.30    |
| Weighted average common units outstanding | 81,529,141                  | 81,119,817 | 81,480,797                | 81,605,473 |
| Distributions declared per unit           | \$ 0.35                     | \$ 0.25    | \$ 0.70                   | \$ 0.45    |

See accompanying notes

**DUPONT FABROS TECHNOLOGY, L.P.**  
**CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL**  
(unaudited and in thousands, except unit data)

|  | Limited Partners' Capital |                   |                   | General Partner's Capital |                 | Total               |
|--|---------------------------|-------------------|-------------------|---------------------------|-----------------|---------------------|
|  | Preferred Amount          | Common Units      | Common Amount     | Common Units              | Common Amount   |                     |
| Balance at December 31, 2013   | \$ 351,250                | 64,542,901        | \$ 887,695        | 662,373                   | \$ 9,110        | \$ 1,248,055        |
| Net income   |                           |                   | 63,952            |                           | 650             | 64,602              |
| Common unit distributions  |                           |                   | (56,513)          |                           | (464)           | (56,977)            |
| Preferred unit distributions   |                           |                   | (13,485)          |                           | (137)           | (13,622)            |
| Issuance of OP units to DFT when redeemable partnership units redeemed |                           | 100,300           | 2,400             |                           |                 | 2,400               |
| Issuance of OP units for stock awards                                  |                           | 160,519           | 360               |                           |                 | 360                 |
| Issuance of OP units due to option exercises                           |                           | 409,134           | 3,457             |                           |                 | 3,457               |
| Retirement and forfeiture of OP units                                  |                           | (43,555)          | (1,153)           |                           |                 | (1,153)             |
| Amortization of deferred compensation costs                            |                           |                   | 3,292             |                           |                 | 3,292               |
| Adjustments to redeemable partnership units                            |                           |                   | (34,492)          |                           | (464)           | (34,956)            |
| Balance at June 30, 2014   | <u>\$ 351,250</u>         | <u>65,169,299</u> | <u>\$ 855,513</u> | <u>662,373</u>            | <u>\$ 8,695</u> | <u>\$ 1,215,458</u> |

See accompanying notes

**DUPONT FABROS TECHNOLOGY, L.P.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited and in thousands)

|  | Six months ended June 30, |                 |
|--|---------------------------|-----------------|
|  | 2014                      | 2013            |
| <b>Cash flow from operating activities</b>                                       |                           |                 |
| Net income   | \$ 64,602                 | \$ 38,474       |
| Adjustments to reconcile net income to net cash provided by operating activities |                           |                 |
| Depreciation and amortization  | 46,872                    | 46,235          |
| Loss on early extinguishment of debt   | 338                       | 1,700           |
| Straight line rent, net of reserve   | 2,016                     | (6,654)         |
| Amortization of deferred financing costs   | 1,466                     | 1,693           |
| Amortization of lease contracts above and below market value                     | (1,197)                   | (1,195)         |
| Compensation paid with Company common shares                                     | 3,100                     | 3,515           |
| Changes in operating assets and liabilities                                      |                           |                 |
| Rents and other receivables  | 2,231                     | (3,219)         |
| Deferred costs   | (442)                     | (205)           |
| Prepaid expenses and other assets  | (6,229)                   | (10,650)        |
| Accounts payable and accrued liabilities   | (993)                     | 2,260           |
| Accrued interest payable   | 605                       | (254)           |
| Prepaid rents and other liabilities  | 6,260                     | 14,087          |
| Net cash provided by operating activities  | <u>118,629</u>            | <u>85,787</u>   |
| <b>Cash flow from investing activities</b>                                       |                           |                 |
| Investments in real estate – development   | (128,068)                 | (20,516)        |
| Interest capitalized for real estate under development                           | (6,163)                   | (504)           |
| Improvements to real estate  | (1,020)                   | (4,357)         |
| Additions to non-real estate property  | (283)                     | (24)            |
| Net cash used in investing activities  | <u>(135,534)</u>          | <u>(25,401)</u> |
| <b>Cash flow from financing activities</b>                                       |                           |                 |
| Line of credit:  |                           |                 |
| Proceeds   | —                         | 72,000          |
| Repayments   | —                         | (30,000)        |
| Mortgage notes payable:  |                           |                 |
| Proceeds   | —                         | 115,000         |
| Lump sum payoffs   | —                         | (138,300)       |
| Repayments   | —                         | (1,300)         |
| Unsecured term loan:   |                           |                 |
| Proceeds   | 96,000                    | —               |
| Payments of financing costs  | (2,816)                   | (3,036)         |
| Issuance of OP units for stock option exercises                                  | 3,457                     | —               |
| OP unit repurchases  | —                         | (37,792)        |
| Distributions  | (62,327)                  | (46,163)        |
| Net cash provided by (used in) financing activities                              | <u>34,314</u>             | <u>(69,591)</u> |

**DUPONT FABROS TECHNOLOGY, L.P.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(unaudited and in thousands)**  
**(Continued)**

|  | Six months ended June 30, |                  |
|--|---------------------------|------------------|
|  | 2014                      | 2013             |
| Net increase (decrease) in cash and cash equivalents                     | 17,409                    | (9,205)          |
| Cash and cash equivalents, beginning                                     | 34,514                    | 19,282           |
| Cash and cash equivalents, ending  | <u>\$ 51,923</u>          | <u>\$ 10,077</u> |
| Supplemental information:  |                           |                  |
| Cash paid for interest   | <u>\$ 21,089</u>          | <u>\$ 26,200</u> |
| Deferred financing costs capitalized for real estate under development   | <u>\$ 354</u>             | <u>\$ 34</u>     |
| Construction costs payable capitalized for real estate under development | <u>\$ 25,032</u>          | <u>\$ 5,762</u>  |
| Redemption of operating partnership units                                | <u>\$ 2,400</u>           | <u>\$ 69,900</u> |
| Adjustments to redeemable partnership units                              | <u>\$ 34,956</u>          | <u>\$ (112)</u>  |

See accompanying notes

**DUPONT FABROS TECHNOLOGY, INC.**  
**DUPONT FABROS TECHNOLOGY, L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(unaudited)**

**1. Description of Business**

DuPont Fabros Technology, Inc. (“DFT”), through its controlling interest in DuPont Fabros Technology, L.P. (the “Operating Partnership” or “OP” and collectively with DFT and their operating subsidiaries, the “Company”), is a fully integrated, self-administered and self-managed company that owns, acquires, develops and operates wholesale data centers. DFT is a real estate investment trust, or REIT, for federal income tax purposes and is the sole general partner of the Operating Partnership, and as of June 30, 2014, owned 80.9% of the common economic interest in the Operating Partnership, of which 1.0% is held as general partnership units. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “we,” “us,” “our,” “our Company” or “the Company” refer to DFT and the Operating Partnership, collectively. As of June 30, 2014 the Company holds a fee simple interest in the following properties:

- ten operating data centers – ACC2, ACC3, ACC4, ACC5, ACC6, VA3, VA4, CH1, NJ1 Phase I and SC1 Phase I and IIA;
- three data centers currently under development – ACC7 Phase I, SC1 Phase IIB and CH2 Phase I;
- data center projects available for future development – ACC7 Phases II-IV, CH2 Phases II-III and NJ1 Phase II; and
- land that may be used to develop additional data centers – ACC8 and SC2.

ACC7 Phase I was placed into service in July 2014.

**2. Significant Accounting Policies**

***Basis of Presentation***

This report combines the quarterly reports on Form 10-Q for the quarter ended June 30, 2014 of DuPont Fabros Technology, Inc. and DuPont Fabros Technology, L.P. References to “DFT” mean DuPont Fabros Technology, Inc. and its controlled subsidiaries; and references to the “Operating Partnership” or “OP” mean DuPont Fabros Technology, L.P. and its controlled subsidiaries.

We believe combining the annual reports on Form 10-K of DFT and the Operating Partnership into this single report provides the following benefits:

- enhances investors’ understanding of DFT and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure in this report applies to both DFT and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

We operate DFT and the Operating Partnership as one business. The management of DFT consists of the same employees as the management of the Operating Partnership.

We believe it is important for investors to understand the few differences between DFT and the Operating Partnership in the context of how DFT and the Operating Partnership operate as a consolidated company. DFT is a REIT, whose only material asset is its ownership of OP units of the Operating Partnership. As a result, DFT does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public equity from time to time and guaranteeing unsecured debt of the Operating Partnership. DFT has not issued any indebtedness, but has guaranteed all of the unsecured debt of the Operating Partnership. The Operating Partnership holds all the real estate assets of the Company. Except for net proceeds from public equity issuances by DFT, which are contributed to the Operating Partnership in exchange for OP units or preferred units, the Operating Partnership generates all remaining capital required by our business. These sources include the Operating Partnership’s operations, its direct or indirect incurrence of indebtedness, and the issuance of partnership units.

As general partner with control of the Operating Partnership, DFT consolidates the Operating Partnership for financial reporting purposes. The presentation of stockholders’ equity and partners’ capital are the main areas of difference between the consolidated financial statements of DFT and those of the Operating Partnership. The Operating Partnership’s capital includes preferred units and general and limited common units that are owned by DFT and the other partners. DFT’s stockholders’ equity includes preferred stock, common stock, additional paid in capital and retained earnings. The common limited partnership interests held by the limited partners (other than DFT) in the Operating Partnership are presented as “redeemable partnership units” in the Operating Partnership’s consolidated financial statements and as “redeemable noncontrolling interests-

operating partnership” in DFT’s consolidated financial statements. The only difference between the assets and liabilities of DFT and the Operating Partnership as of June 30, 2014 is a \$4.2 million bank account held by DFT that is not part of the Operating Partnership. Net income is the same for DFT and the Operating Partnership.

The accompanying unaudited consolidated financial statements have been prepared by management in accordance with U.S. generally accepted accounting principles, or GAAP, for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements. The results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of the results that may be expected for the full year. These consolidated financial statements should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere in this Form 10-Q and the audited financial statements and accompanying notes for the year ended December 31, 2013 contained in our Annual Report on Form 10-K, which contains a complete listing of our significant accounting policies.

We have one reportable segment consisting of investments in data centers located in the United States. All of our properties generate similar types of revenues and expenses related to customer rent and reimbursements and operating expenses. The delivery of our products is consistent across all properties and although services are provided to a range of customers, the types of services provided to them are limited to a few core principles. As such, the properties in our portfolio have similar economic characteristics and the nature of the products and services provided to our customers and the method to distribute such services are consistent throughout the portfolio.

### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### ***Property***

Depreciation on buildings is generally provided on a straight-line basis over 40 years from the date the buildings were placed in service. Building components are depreciated over the life of the respective improvement ranging from 10 to 40 years from the date the components were placed in service. Personal property is depreciated over three years to seven years. Depreciation expense was \$22.5 million and \$22.0 million for the three months ended June 30, 2014 and 2013, respectively, and \$44.7 million and \$44.2 million for the six months ended June 30, 2014 and 2013, respectively. Included in these amounts is amortization expense related to tenant origination costs, which was \$0.8 million for each of the three months ended June 30, 2014 and 2013, respectively, and \$1.6 million for each of the six months ended June 30, 2014 and 2013, respectively. Repairs and maintenance costs are expensed as incurred.

We record impairment losses on long-lived assets used in operations or in development when events or changes in circumstances indicate that the assets might be impaired, and the estimated undiscounted cash flows to be generated by those assets are less than the carrying amounts. If circumstances indicating impairment of a long-lived asset are present, we would determine the fair value of that asset, and an impairment loss would be recognized in an amount equal to the excess of the carrying amount of the impaired asset over its fair value. We assess the recoverability of the carrying value of our assets on a property-by-property basis. No impairment losses were recorded during the six months ended June 30, 2014 and 2013.

### ***Deferred Costs***

Deferred costs, net in our accompanying consolidated balance sheets include both financing and leasing costs.

Financing costs, which represent fees and other costs incurred in obtaining debt, are amortized using the effective-interest rate method, or a method that approximates the effective-interest method, over the term of the loan and are included in amortization of deferred financing costs. In May 2014, we amended our unsecured revolving credit facility ("Unsecured Credit Facility"), which, due to the change in composition of lenders comprising the Unsecured Credit Facility's bank group, resulted in the partial write-off of unamortized deferred financing costs totaling \$0.3 million. In March 2013, we paid off the \$138.3 million balance of the term loan facility (the "ACC5 Term Loan"), which resulted in a write-off of \$1.7 million of unamortized deferred financing costs.

Balances, net of accumulated amortization, at June 30, 2014 and December 31, 2013 were as follows (in thousands):

|                          | June 30,<br>2014 | December 31,<br>2013 |
|--------------------------|------------------|----------------------|
| Financing costs          | \$ 24,620        | \$ 22,756            |
| Accumulated amortization | (5,217)          | (4,013)              |
| Financing costs, net     | <u>\$ 19,403</u> | <u>\$ 18,743</u>     |

Leasing costs, which are either external fees and costs incurred in the successful negotiations of leases, internal costs expended in the successful negotiations of leases or the estimated leasing commissions resulting from the allocation of the purchase price of ACC2, VA3, VA4 and ACC4, are deferred and amortized over the terms of the related leases on a straight-line basis. If an applicable lease terminates prior to the expiration of its initial term, the carrying amount of the costs are written off to amortization expense. We incurred leasing costs of \$1.5 million and \$0.1 million for the three months ended June 30, 2014 and 2013, respectively, and \$1.6 million and \$0.2 million for the six months ended June 30, 2014 and 2013. All of these costs were incurred in connection with the execution of new leases. Amortization of deferred leasing costs totaled \$1.0 million and \$0.9 million for the three months ended June 30, 2014 and 2013, respectively, and \$2.0 million and \$1.9 million for the six months ended June 30, 2014 and 2013, respectively. Balances, net of accumulated amortization, at June 30, 2014 and December 31, 2013 were as follows (in thousands):

|                          | June 30,<br>2014 | December 31,<br>2013 |
|--------------------------|------------------|----------------------|
| Leasing costs            | \$ 49,804        | \$ 48,312            |
| Accumulated amortization | (29,067)         | (27,189)             |
| Leasing costs, net       | <u>\$ 20,737</u> | <u>\$ 21,123</u>     |

### ***Inventory***

We maintain fuel inventory for our generators, which is recorded at the lower of cost (on a first-in, first-out basis) or market. As of June 30, 2014 and December 31, 2013, the fuel inventory was \$4.0 million and is included in prepaid expenses and other assets in the accompanying consolidated balance sheets.

### ***Rental Income***

We, as a lessor, have retained substantially all the risks and benefits of ownership and account for our leases as operating leases. For lease agreements that provide for scheduled fixed and determinable rent increases, rental income is recognized on a straight-line basis over the non-cancellable term of the leases, which commences when control of the space and critical power have been provided to the customer. If the lease contains an early termination clause with a penalty payment, we determine the lease termination date by evaluating whether the penalty reasonably assures that the lease will not be terminated early. Lease inducements, which include free rent or cash payments to customers, are amortized as a reduction of rental income over the non-cancellable lease term. Straight-line rents receivable are included in deferred rent in the accompanying consolidated balance sheets. Lease intangible assets and liabilities that have resulted from above-market and below-market leases that were acquired are amortized on a straight-line basis as decreases and increases, respectively, to rental revenue over the remaining non-cancellable term of the underlying leases. If a lease terminates prior to the expiration of its initial term, the unamortized portion of lease intangibles associated with that lease will be written off to rental revenue. Balances, net of accumulated amortization, at June 30, 2014 and December 31, 2013 were as follows (in thousands):

|   | June 30,<br>2014 | December 31,<br>2013 |
|---|------------------|----------------------|
| Lease contracts above market value      | \$ 23,100        | \$ 23,100            |
| Accumulated amortization                | (14,496)         | (13,946)             |
| Lease contracts above market value, net | <u>\$ 8,604</u>  | <u>\$ 9,154</u>      |
| Lease contracts below market value      | \$ 39,375        | \$ 39,375            |
| Accumulated amortization                | (30,592)         | (28,845)             |
| Lease contracts below market value, net | <u>\$ 8,783</u>  | <u>\$ 10,530</u>     |

Our policy is to record a reserve for losses on accounts receivable equal to the estimated uncollectible accounts. The estimate is based on our historical experience and a review of the current status of our receivables. As of June 30, 2014 and



December 31, 2013, we had reserves against rents and other receivables of \$1.6 million. We also establish an appropriate allowance for doubtful accounts for receivables arising from the straight-lining of rents. These receivables arise from revenue recognized in excess of amounts currently due under the lease and are recorded as deferred rent in the accompanying consolidated balance sheets. As of June 30, 2014 and December 31, 2013, we had reserves against deferred rent of \$2.1 million.

The reserves described above were set up for one customer that restructured its lease obligations with us during 2013. Under this restructuring, this customer's outstanding accounts receivable and deferred rent receivable related to the space that was returned to us was converted into a note receivable, the terms of which require the payment of principal and interest through December 31, 2016. Principal payments on the note are calculated on a ten-year amortization schedule with a final principal payment of the remaining note balance due on December 31, 2016. Additionally, under this restructuring this customer has the right to defer up to two-thirds of base rent due through July 2014 at NJ1 in Piscataway, New Jersey. Any base rent deferred is added to the principal amount of the note. The note balance was \$5.8 million and \$5.7 million as of June 30, 2014 and December 31, 2013, respectively, which is recorded within rents and other receivables, net in the accompanying consolidated balance sheets.

Customer leases generally contain provisions under which the customers reimburse us for a portion of operating expenses and real estate taxes incurred by the property. Recoveries from tenants are included in revenue in the accompanying consolidated statements of operations in the period the applicable expenditures are incurred. Most of our leases also provide us with a property management fee based on a percentage of base rent collected and property-level operating expenses, other than charges for power used by customers to run their servers and cool their space. Property management fees are included in base rent in the accompanying consolidated statements of operations in the applicable period in which they are earned.

### ***Other Revenue***

Other revenue primarily consists of services provided to customers on a non-recurring basis. This includes projects such as the purchase and installation of circuits, racks, breakers and other customer requested items. Revenue is recognized on a completed contract basis. Costs of providing these services are included in other expenses in the accompanying consolidated statements of operations.

### ***Redeemable Noncontrolling Interests – Operating Partnership / Redeemable Partnership Units***

Redeemable noncontrolling interests – operating partnership, as presented on DFT's consolidated balance sheets, represent the limited partnership interests in the Operating Partnership ("OP units") held by individuals and entities other than DFT. These interests are also presented on the Operating Partnership's consolidated balance sheets, referred to as "redeemable partnership units." Accordingly, the following discussion related to redeemable noncontrolling interests – operating partnership of DFT refers equally to redeemable partnership units of the Operating Partnership.

Redeemable noncontrolling interests – operating partnership, which require cash payment, or allow settlement in shares, but with the ability to deliver the shares outside of the control of DFT, are reported outside of the permanent equity section of the consolidated balance sheets of DFT and the Operating Partnership. Redeemable noncontrolling interests – operating partnership are adjusted for income, losses and distributions allocated to OP units not held by DFT (normal noncontrolling interest accounting amount). Adjustments to redeemable noncontrolling interests – operating partnership are recorded to reflect increases or decreases in the ownership of the Operating Partnership by holders of OP units, including the redemptions of OP units for cash or in exchange for shares of DFT's common stock. If such adjustments result in redeemable noncontrolling interests – operating partnership being recorded at less than the redemption value of the OP units, redeemable noncontrolling interests – operating partnership are further adjusted to their redemption value (see Note 9). Redeemable noncontrolling interests – operating partnership are recorded at the greater of the normal noncontrolling interest accounting amount or redemption value. The following is a summary of activity for redeemable noncontrolling interests – operating partnership for the six months ended June 30, 2014 (dollars in thousands):

|  | OP Units   |            |
|--|------------|------------|
|  | Number     | Amount     |
| Balance at December 31, 2013   | 15,671,537 | \$ 387,244 |
| Net income attributable to redeemable noncontrolling interests – operating partnership | —          | 9,814      |
| Distributions declared   | —          | (10,904)   |
| Redemption of operating partnership units  | (100,300)  | (2,400)    |
| Adjustments to redeemable noncontrolling interests – operating partnership             | —          | 36,047     |
| Balance at June 30, 2014   | 15,571,237 | \$ 419,801 |

The following is a summary of activity for redeemable partnership units for the six months ended June 30, 2014 (dollars in thousands):

|   | OP Units   |            |
|---|------------|------------|
|   | Number     | Amount     |
| Balance at December 31, 2013                | 15,671,537 | \$ 387,244 |
| Redemption of operating partnership units   | (100,300)  | (2,400)    |
| Adjustments to redeemable partnership units | —          | 34,957     |
| Balance at June 30, 2014                    | 15,571,237 | \$ 419,801 |

Net income is allocated to controlling interests and redeemable noncontrolling interests – operating partnership in accordance with the limited partnership agreement of the Operating Partnership. The following is a summary of net income attributable to controlling interests and transfers to redeemable noncontrolling interests – operating partnership for the three and six months ended June 30, 2014 and 2013 (dollars in thousands):

|  | Three months ended June 30, |                  | Six months ended June 30, |                   |
|--|-----------------------------|------------------|---------------------------|-------------------|
|  | 2014                        | 2013             | 2014                      | 2013              |
| Net income attributable to controlling interests   | \$ 27,932                   | \$ 18,782        | \$ 54,788                 | \$ 33,536         |
| Transfers from noncontrolling interests:   |                             |                  |                           |                   |
| Net change in the Company's common stock and additional paid in capital due to the redemption of OP units and other adjustments to redeemable noncontrolling interests – operating partnership | (45,081)                    | 1,900            | (33,647)                  | 67,789            |
|  | <u>\$ (17,149)</u>          | <u>\$ 20,682</u> | <u>\$ 21,141</u>          | <u>\$ 101,325</u> |

### ***Earnings Per Share of DFT***

Basic earnings per share is calculated by dividing the net income attributable to common shares for the period by the weighted average number of common shares outstanding during the period using the two class method. Diluted earnings per share is calculated by dividing the net income attributable to common shares for the period by the weighted average number of common and dilutive securities outstanding during the period.

### ***Earnings Per Unit of the Operating Partnership***

Basic earnings per unit is calculated by dividing the net income attributable to common units for the period by the weighted average number of common units outstanding during the period using the two class method. Diluted earnings per unit is calculated by dividing the net income attributable to common units for the period by the weighted average number of common and dilutive securities outstanding during the period.

### ***Stock-based Compensation***

We award stock-based compensation to employees and members of our Board of Directors in the form of common stock. For each stock award granted by DFT, the OP issues an equivalent common unit, which may be referred to herein as a common share, common stock, or common unit. We estimate the fair value of the awards and recognize this value over the requisite vesting period. The fair value of restricted stock-based compensation is based on the market value of DFT's common stock on the date of the grant. The fair value of options to purchase common stock is based on the Black-Scholes model. The fair value of performance units is based on a Monte Carlo simulation.

### ***Recently Issued Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under GAAP. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. We will be required to apply the new standard in the first quarter of 2017 and are assessing whether the new standard will have a material effect on our financial position or results of operations.

### Reclassifications

Certain amounts from the prior year have been reclassified for consistency with the current year presentation. For the three and six months June 30, 2013, we have reclassified the management fee that we collect from customers from "Recoveries from Tenants" to "Base Rent" in our accompanying consolidated statements of operations totaling \$3.7 million and \$7.4 million, respectively.

### 3. Real Estate Assets

The following is a summary of our properties as of June 30, 2014 (dollars in thousands):

| Property   | Location              | Land             | Buildings and Improvements | Construction in Progress and Land Held for Development | Total Cost          |
|--|-----------------------|------------------|----------------------------|--|---------------------|
| ACC2   | Ashburn, VA           | \$ 2,500         | \$ 159,093                 | \$ —   | \$ 161,593          |
| ACC3   | Ashburn, VA           | 1,071            | 95,860                     | —  | 96,931              |
| ACC4   | Ashburn, VA           | 6,600            | 538,419                    | —  | 545,019             |
| ACC5   | Ashburn, VA           | 6,443            | 298,574                    | —  | 305,017             |
| ACC6   | Ashburn, VA           | 5,518            | 216,697                    | —  | 222,215             |
| VA3  | Reston, VA            | 9,000            | 177,960                    | —  | 186,960             |
| VA4  | Bristow, VA           | 6,800            | 148,765                    | —  | 155,565             |
| CH1  | Elk Grove Village, IL | 23,611           | 358,167                    | —  | 381,778             |
| NJ1 Phase I  | Piscataway, NJ        | 4,311            | 209,169                    | —  | 213,480             |
| SC1 Phase I and IIA                                    | Santa Clara, CA       | 15,152           | 321,312                    | —  | 336,464             |
|  |                       | 81,006           | 2,524,016                  | —  | 2,605,022           |
| Construction in progress and land held for development | (1)                   | —                | —                          | 310,935  | 310,935             |
|  |                       | <u>\$ 81,006</u> | <u>\$ 2,524,016</u>        | <u>\$ 310,935</u>                                      | <u>\$ 2,915,957</u> |

(1) Properties located in Ashburn, VA (ACC7 and ACC8); Piscataway, NJ (NJ1 Phase II), Elk Grove Village, IL (CH2) and Santa Clara, CA (SC1 Phase IIB and SC2).

### 4. Debt

#### Debt Summary as of June 30, 2014 and December 31, 2013 (\$ in thousands)

|                           | June 30, 2014     |             |             |                    | December 31, 2013 |
|---------------------------|-------------------|-------------|-------------|--------------------|-------------------|
|                           | Amounts           | % of Total  | Rates       | Maturities (years) | Amounts           |
| Secured                   | \$ 115,000        | 12%         | 1.7%        | 3.7                | \$ 115,000        |
| Unsecured                 | 850,000           | 88%         | 4.7%        | 6.5                | 754,000           |
| Total                     | <u>\$ 965,000</u> | <u>100%</u> | <u>4.3%</u> | <u>6.1</u>         | <u>\$ 869,000</u> |
| Fixed Rate Debt:          |                   |             |             |                    |                   |
| Unsecured Notes due 2021  | \$ 600,000        | 62%         | 5.9%        | 7.2                | \$ 600,000        |
| Fixed Rate Debt           | 600,000           | 62%         | 5.9%        | 7.2                | 600,000           |
| Floating Rate Debt:       |                   |             |             |                    |                   |
| Unsecured Credit Facility | —                 | —           | —           | 3.9                | —                 |
| Unsecured Term Loan       | 250,000           | 26%         | 1.9%        | 4.6                | 154,000           |
| ACC3 Term Loan            | 115,000           | 12%         | 1.7%        | 3.7                | 115,000           |
| Floating Rate Debt        | 365,000           | 38%         | 1.8%        | 4.4                | 269,000           |
| Total                     | <u>\$ 965,000</u> | <u>100%</u> | <u>4.3%</u> | <u>6.1</u>         | <u>\$ 869,000</u> |

## Outstanding Indebtedness

### *ACC3 Term Loan*

On May 9, 2014, we amended our \$115 million term loan facility (the “ACC3 Term Loan”) to, among other things, reduce the rate at which borrowings will bear interest. Per the amendment, the borrower, one of our subsidiaries, may elect to have borrowings under the facility bear interest at (i) LIBOR plus 1.55% (in lieu of the original margin of 1.85%) or (ii) a base rate, which is based on the lender's prime rate, plus 0.55% (in lieu of the original margin of 0.85%). The interest rate is currently at LIBOR plus 1.55%. The ACC3 Term Loan matures on March 27, 2018, and we may prepay the ACC3 Term Loan at any time, in whole or in part, without penalty or premium.

The ACC3 Term Loan is secured by the ACC3 data center and an assignment of the lease agreement between us and the customer of ACC3. The Operating Partnership has guaranteed the outstanding principal amount of the ACC3 Term Loan, plus interest and certain costs under the loan.

The ACC3 Term Loan imposes financial maintenance covenants relating to, among other things, the following matters:

- consolidated total indebtedness of the Operating Partnership not exceeding 60% of gross asset value of the Operating Partnership;
- fixed charge coverage ratio of the Operating Partnership being not less than 1.70 to 1.00;
- tangible net worth of the Operating Partnership being not less than \$1.3 billion plus 80% of the sum of (i) net equity offering proceeds and (ii) the value of equity interests issued in connection with a contribution of assets to the Operating Partnership or its subsidiaries; and
- debt service coverage ratio of the borrower not less than 1.50 to 1.00.

We were in compliance with all of the covenants under the loan as of June 30, 2014.

### *Unsecured Term Loan*

On September 13, 2013, the Operating Partnership entered into a \$195.0 million unsecured term loan facility (the “Unsecured Term Loan”). The Unsecured Term Loan matures on February 15, 2019, with no extension option.

The Unsecured Term Loan includes an accordion feature permitting an increase in the amount of the loan by up to an additional \$55 million. On October 18, 2013, we exercised the accordion and the Unsecured Term Loan was increased to \$250 million. As of December 31, 2013 we had drawn \$154.0 million under this loan and the remaining \$96.0 million was advanced on January 10, 2014.

Under the terms of the Unsecured Term Loan, we may elect to have borrowings under the loan bear interest at either LIBOR or a base rate, which is based on the lender's prime rate, in each case plus an applicable margin. Prior to our receiving an investment grade credit rating, the applicable margin added to LIBOR and the base rate is based on the table below.

| Pricing Level | Ratio of Total Indebtedness to Gross Asset Value | Applicable Margin |                 |
|---------------|--|-------------------|-----------------|
|               |  | LIBOR Rate Loans  | Base Rate Loans |
| Level 1       | Less than or equal to 35%                        | 1.75%             | 0.75%           |
| Level 2       | Greater than 35% but less than or equal to 40%   | 1.90%             | 0.90%           |
| Level 3       | Greater than 40% but less than or equal to 45%   | 2.05%             | 1.05%           |
| Level 4       | Greater than 45% but less than or equal to 52.5% | 2.20%             | 1.20%           |
| Level 5       | Greater than 52.5%                               | 2.40%             | 1.40%           |

As of June 30, 2014, the applicable margin was set at pricing level 1. The terms of the loan provide for the adjustment of the applicable margin from time to time according to the ratio of the Operating Partnership's total indebtedness to gross asset value in effect from time to time.

The terms of the loan also provide that, in the event we receive an investment grade credit rating, borrowings under the loan will bear interest based on the table below.

| Credit Rating Level | Credit Rating   | Applicable Margin |                 |
|---------------------|---|-------------------|-----------------|
|                     |   | LIBOR Rate Loans  | Base Rate Loans |
| Level 1             | Greater than or equal to A- by S&P or A3 by Moody's     | 0.95%             | 0.00%           |
| Level 2             | Greater than or equal to BBB+ by S&P or Baa1 by Moody's | 1.05%             | 0.05%           |
| Level 3             | Greater than or equal to BBB by S&P or Baa2 by Moody's  | 1.20%             | 0.20%           |
| Level 4             | Greater than or equal to BBB- by S&P or Baa3 by Moody's | 1.50%             | 0.50%           |
| Level 5             | Less than BBB- by S&P or Baa3 by Moody's                | 1.95%             | 0.95%           |

Following the receipt of such investment grade rating, the terms of the loan provide for the adjustment of the applicable margin from time to time according to the rating then in effect.

In July 2014, we executed an amendment to our Unsecured Term Loan that reduced the interest rate and extended the maturity date to July 21, 2019.

Under the terms of the amendment, we may elect to have borrowings under the loan bear interest at either LIBOR or a base rate, which is based on the lender's prime rate, in each case plus an applicable margin. Prior to our receiving an investment grade credit rating, the applicable margin added to LIBOR and the base rate is based on the table below.

| Pricing Level | Ratio of Total Indebtedness to Gross Asset Value | Applicable Margin |                 |
|---------------|--|-------------------|-----------------|
|               |  | LIBOR Rate Loans  | Base Rate Loans |
| Level 1       | Less than or equal to 35%                        | 1.50%             | 0.50%           |
| Level 2       | Greater than 35% but less than or equal to 40%   | 1.60%             | 0.60%           |
| Level 3       | Greater than 40% but less than or equal to 45%   | 1.75%             | 0.75%           |
| Level 4       | Greater than 45% but less than or equal to 52.5% | 1.90%             | 0.90%           |
| Level 5       | Greater than 52.5%                               | 2.10%             | 1.10%           |

The applicable margin is currently set at pricing level 1. The terms of the amendment also provide that, in the event we receive an investment grade credit rating, borrowings under the loan will bear interest based on the table below.

| Credit Rating Level | Credit Rating   | Applicable Margin |                 |
|---------------------|---|-------------------|-----------------|
|                     |   | LIBOR Rate Loans  | Base Rate Loans |
| Level 1             | Greater than or equal to A- by S&P or A3 by Moody's     | 0.825%            | 0.00%           |
| Level 2             | Greater than or equal to BBB+ by S&P or Baa1 by Moody's | 0.875%            | 0.00%           |
| Level 3             | Greater than or equal to BBB by S&P or Baa2 by Moody's  | 1.00%             | 0.00%           |
| Level 4             | Greater than or equal to BBB- by S&P or Baa3 by Moody's | 1.25%             | 0.25%           |
| Level 5             | Less than BBB- by S&P or Baa3 by Moody's                | 1.65%             | 0.65%           |

The Unsecured Term Loan is unconditionally guaranteed jointly and severally, on a senior unsecured basis by DFT and the direct and indirect subsidiaries of DFT that guaranty the obligations of the Unsecured Credit Facility (as defined below).

The Unsecured Term Loan requires that we comply with various covenants that are substantially the same as those applicable under the Unsecured Credit Facility, including with respect to restrictions on liens, incurring indebtedness, making investments, effecting mergers and/or asset sales, and certain restrictions on dividend payments. In addition, the Unsecured Term Loan imposes financial maintenance covenants substantially the same as those under the Unsecured Credit Facility relating to, among other things, the following matters:

- unsecured debt not exceeding 60% of the value of unencumbered assets;
- net operating income generated from unencumbered properties divided by the amount of unsecured debt being not less than 12.5%;
- total indebtedness not exceeding 60% of gross asset value;
- fixed charge coverage ratio being not less than 1.70 to 1.00; and

- tangible net worth being not less than \$1.3 billion plus 80% of the sum of (i) net equity offering proceeds after March 21, 2012 and (ii) the value of equity interests issued in connection with a contribution of assets to the Operating Partnership or its subsidiaries after March 21, 2012.

The Unsecured Term Loan includes customary events of default, the occurrence of which, following any applicable cure period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations under the loan to be immediately due and payable.

We were in compliance with all of the covenants under the loan as of June 30, 2014.

#### *Unsecured Notes due 2021*

On September 24, 2013, the Operating Partnership completed the sale of \$600 million of 5.875% unsecured notes due 2021 (the "Unsecured Notes due 2021"). The Unsecured Notes due 2021 were issued at face value and mature on September 15, 2021. We pay interest on the Unsecured Notes due 2021 semi-annually, in arrears, on March 15th and September 15th of each year.

The Unsecured Notes due 2021 are unconditionally guaranteed, jointly and severally on a senior unsecured basis by DFT and certain of the Operating Partnership's subsidiaries, including the subsidiaries that own the ACC2, ACC4, ACC5, ACC6, VA3, VA4, CH1, NJ1 and SC1 data centers and the SC2 parcel of land (collectively, the "Subsidiary Guarantors"), but excluding the subsidiaries that own the ACC3 data center facility, the ACC7 and CH2 data centers under development, the ACC8 parcel of land, our taxable REIT subsidiary, DF Technical Services, LLC and our property management subsidiary, DF Property Management LLC.

The Unsecured Notes due 2021 rank (i) equally in right of payment with all of the Operating Partnership's existing and future senior unsecured indebtedness, (ii) senior in right of payment with all of its existing and future subordinated indebtedness, (iii) effectively subordinate to any of the Operating Partnership's existing and future secured indebtedness and (iv) effectively junior to any liabilities of any subsidiaries of the Operating Partnership that do not guarantee the Unsecured Notes due 2021. The guarantees of the Unsecured Notes due 2021 by DFT and the Subsidiary Guarantors rank (i) equally in right of payment with such guarantor's existing and future senior unsecured indebtedness, (ii) senior in right of payment with all of such guarantor's existing and future subordinated indebtedness and (iii) effectively subordinate to any of such guarantor's existing and future secured indebtedness.

At any time prior to September 15, 2016, the Operating Partnership may redeem the Unsecured Notes due 2021, in whole or in part, at a price equal to the sum of (i) 100% of the principal amount of the Unsecured Notes due 2021 to be redeemed, plus (ii) a make-whole premium and accrued and unpaid interest. The Unsecured Notes due 2021 may be redeemed at the Operating Partnership's option, in whole or in part, at any time, on and after September 15, 2016 at the following redemption prices (expressed as percentages of the principal amount thereof) if redeemed during the 12-month period commencing September 15 of the years indicated below, in each case together with accrued and unpaid interest to the date of redemption:

| <u>Year</u>         | <u>Redemption Price</u> |
|---------------------|-------------------------|
| 2016                | 104.406%                |
| 2017                | 102.938%                |
| 2018                | 101.469%                |
| 2019 and thereafter | 100.000%                |

If there is a change of control (as defined in the indenture governing the Unsecured Notes due 2021) of the Operating Partnership or DFT, we must offer to purchase the Unsecured Notes due 2021 at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest. In addition, in certain circumstances we may be required to use the net proceeds of asset sales to purchase a portion of the Unsecured Notes due 2021 at 100% of the principal amount thereof, plus accrued and unpaid interest.

The Unsecured Notes due 2021 have certain covenants limiting or prohibiting the ability of the Operating Partnership and certain of its subsidiaries from, among other things, (i) incurring secured or unsecured indebtedness, (ii) entering into sale and leaseback transactions, (iii) making certain dividend payments, distributions, purchases of DFT's common stock and investments, (iv) entering into transactions with affiliates, (v) entering into agreements limiting the ability to make certain transfers and other payments from subsidiaries, (vi) engaging in sales of assets or (vii) engaging in certain mergers, consolidations or transfers/sales of all or substantially all assets. However, DFT may pay the minimum dividend necessary to meet its REIT income distribution requirements.



The Unsecured Notes due 2021 also require the Operating Partnership and the Subsidiary Guarantors to maintain total unencumbered assets of at least 150% of their unsecured debt on a consolidated basis. The Unsecured Notes due 2021 also have customary events of default, including, but not limited to, nonpayment, breach of covenants, and payment or acceleration defaults in certain other indebtedness of ours or certain of our subsidiaries. Upon an event of default, the holders of the Unsecured Notes due 2021 or the trustee may declare the Unsecured Notes due 2021 due and immediately payable. We were in compliance with all covenants under the Unsecured Notes due 2021 as of June 30, 2014.

### *Unsecured Credit Facility*

On May 13, 2014, we amended our Unsecured Credit Facility, resulting in an increase in total commitment from \$400 million to \$560 million and a reduction of the rate at which borrowings will bear interest. The fifth amendment also provided us with the ability to, at our option, increase the total commitment under the facility to \$800 million, if one or more lenders commit to being a lender for the additional amount and certain other customary conditions are met. The amendment also extended the maturity date from March 21, 2016 to May 13, 2018, with a one-year extension option, subject to the payment of an extension fee equal to 15 basis points on the total commitment in effect on such initial maturity date and certain other customary conditions. Because the composition of lenders comprising our bank group changed in conjunction with executing the amendment, we incurred a partial write-off of unamortized deferred financing costs related to the Unsecured Credit Facility totaling \$0.3 million.

Under the terms of the amended facility, we may elect to have borrowings under the facility bear interest at either LIBOR or a base rate, which is based on the lender's prime rate, in each case plus an applicable margin. Prior to our receiving an investment grade credit rating, the applicable margin added to LIBOR and the base rate is based on the table below.

| Pricing Level | Ratio of Total Indebtedness to Gross Asset Value | Applicable Margin |                 |
|---------------|--|-------------------|-----------------|
|               |  | LIBOR Rate Loans  | Base Rate Loans |
| Level 1       | Less than or equal to 35%                        | 1.55%             | 0.55%           |
| Level 2       | Greater than 35% but less than or equal to 40%   | 1.65%             | 0.65%           |
| Level 3       | Greater than 40% but less than or equal to 45%   | 1.80%             | 0.80%           |
| Level 4       | Greater than 45% but less than or equal to 52.5% | 1.95%             | 0.95%           |
| Level 5       | Greater than 52.5%                               | 2.15%             | 1.15%           |

As of June 30, 2014, the applicable margin was set at pricing level 1. The terms of the facility provide for the adjustment of the applicable margin from time to time according to the ratio of the Operating Partnership's total indebtedness to gross asset value in effect from time to time.

The terms of the fifth amendment also provide that, in the event we receive an investment grade credit rating, borrowings under the facility will bear interest based on the table below.

| Credit Rating Level | Credit Rating   | Applicable Margin |                 |
|---------------------|---|-------------------|-----------------|
|                     |   | LIBOR Rate Loans  | Base Rate Loans |
| Level 1             | Greater than or equal to A- by S&P or A3 by Moody's     | 0.875%            | 0.00%           |
| Level 2             | Greater than or equal to BBB+ by S&P or Baa1 by Moody's | 0.925%            | 0.00%           |
| Level 3             | Greater than or equal to BBB by S&P or Baa2 by Moody's  | 1.05%             | 0.05%           |
| Level 4             | Greater than or equal to BBB- by S&P or Baa3 by Moody's | 1.30%             | 0.30%           |
| Level 5             | Less than BBB- by S&P or Baa3 by Moody's                | 1.70%             | 0.70%           |

Following the receipt of such investment grade rating, the terms of the facility provide for the adjustment of the applicable margin from time to time according to the rating then in effect.

The facility is unconditionally guaranteed, jointly and severally, on a senior unsecured basis by DFT and all of the Operating Partnership's subsidiaries that currently guaranty the obligations under the Unsecured Notes due 2021, listed above.

The amount available for borrowings under the facility is determined according to a calculation comparing the value of certain unencumbered properties designated by the Operating Partnership at such time relative to the amount of the Operating Partnership's unsecured debt. Up to \$35 million of the borrowings under the facility may be used for letters of credit.

As of June 30, 2014, a letter of credit totaling less than \$0.1 million was outstanding under the facility. There were no borrowings outstanding.

The facility requires that DFT, the Operating Partnership and their subsidiaries comply with various covenants, including with respect to restrictions on liens, incurring indebtedness, making investments, effecting mergers and/or asset sales, and certain limits on dividend payments, distributions and purchases of DFT's stock. In addition, the facility imposes financial maintenance covenants relating to, among other things, the following matters:

- unsecured debt not exceeding 60% of the value of unencumbered assets;
- net operating income generated from unencumbered properties divided by the amount of unsecured debt being not less than 12.5%;
- total indebtedness not exceeding 60% of gross asset value;
- fixed charge coverage ratio being not less than 1.70 to 1.00; and
- tangible net worth being not less than \$1.3 billion plus 80% of the sum of (i) net equity offering proceeds and (ii) the value of equity interests issued in connection with a contribution of assets to the Operating Partnership or its subsidiaries.

The facility includes customary events of default, the occurrence of which, following any applicable cure period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations of the Operating Partnership under the facility to be immediately due and payable. We were in compliance with all covenants under the facility as of June 30, 2014.

### Indebtedness Retired During 2013

#### *ACC5 Term Loan*

On December 2, 2009, we entered into the \$150 million ACC5 Term Loan. In March 2013, we paid off the \$138.3 million remaining balance of the ACC5 Term Loan which resulted in a write-off of unamortized deferred financing costs of \$1.7 million in the first quarter of 2013. The ACC5 Term Loan was scheduled to mature on December 2, 2014 and bore interest at LIBOR plus 3.00%.

#### *Unsecured Notes due 2017*

On December 16, 2009, the Operating Partnership completed the sale of \$550 million of 8.5% unsecured notes due 2017 (the "Unsecured Notes due 2017"). The Unsecured Notes due 2017 were issued at face value. We paid interest on the Unsecured Notes due 2017 semi-annually, in arrears, on December 15 and June 15 of each year. In September 2013, we commenced a tender offer to repurchase the notes at 106.04%. Under the early deadline for this offer, \$418.1 million of these notes were tendered and we paid \$25.5 million in tender consideration and fees, in addition to accrued interest due through the repayment date. The early repayment of these notes resulted in a write-off of unamortized deferred financing costs of \$5.1 million. The remaining \$131.9 million of Unsecured Notes due 2017 were irrevocably called in September 2013 and paid off in October 2013 at a premium of \$7.1 million, which resulted in the write-off the remaining unamortized deferred financing costs related to these notes totaling \$1.6 million.

A summary of our debt maturity schedule as of June 30, 2014 is as follows:

#### ***Debt Maturity as of June 30, 2014*** ***(\$ in thousands)***

| Year  | Fixed Rate        | Floating Rate     | Total             | % of Total  | Rates       |
|-------|-------------------|-------------------|-------------------|-------------|-------------|
| 2014  | —                 | —                 | —                 | —           | —           |
| 2015  | —                 | —                 | —                 | —           | —           |
| 2016  | —                 | 3,750 (2)         | 3,750             | 0.4%        | 1.7%        |
| 2017  | —                 | 8,750 (2)         | 8,750             | 0.9%        | 1.7%        |
| 2018  | —                 | 102,500 (2)       | 102,500           | 10.6%       | 1.7%        |
| 2019  | —                 | 250,000 (3)       | 250,000           | 25.9%       | 1.9%        |
| 2020  | —                 | —                 | —                 | —           | —           |
| 2021  | 600,000 (1)       | —                 | 600,000           | 62.2%       | 5.9%        |
| Total | <u>\$ 600,000</u> | <u>\$ 365,000</u> | <u>\$ 965,000</u> | <u>100%</u> | <u>4.3%</u> |

(1) The 5.875% Unsecured Notes mature on September 15, 2021.



- (2) The ACC3 Term Loan matures on March 27, 2018 with no extension option. Quarterly principal payments of \$1.25 million begin on April 1, 2016, increase to \$2.5 million on April 1, 2017 and continue through maturity.
- (3) The Unsecured Term Loan matures on July 21, 2019 with no extension option.

## **5. Commitments and Contingencies**

We are involved from time to time in various legal proceedings, lawsuits, examinations by various tax authorities and claims that have arisen in the ordinary course of business. We currently believe that the resolution of such matters will not have a material adverse effect on our financial condition or results of operations.

Contracts related to the development of the ACC7 Phase I, SC1 Phase IIA, SC1 Phase IIB and CH2 Phase I data centers were in place as of June 30, 2014. These contracts are cost plus in nature whereby the contract sum is the aggregate of the actual work performed and equipment purchased plus a contractor fee. Control estimates, which are adjusted from time to time to reflect any contract changes, are estimates of the total contract cost at completion. As of June 30, 2014 the ACC7 Phase I control estimate was \$160.1 million of which \$150.9 million had been incurred. An additional \$6.5 million has been committed under this contract as of June 30, 2014. As of June 30, 2014, the SC1 Phase IIA control estimate was \$96.6 million of which \$92.5 million has been incurred. An additional \$2.2 million has been committed under this contract as of June 30, 2014. As of June 30, 2014, the SC1 Phase IIB control estimate was \$50.0 million of which \$7.0 million has been incurred. An additional \$18.1 million has been committed under this contract as of June 30, 2014. As of June 30, 2014, the CH2 Phase I control estimate was \$168.9 million of which \$4.2 million has been incurred. An additional \$27.8 million has been committed under this contract as of June 30, 2014.

Concurrent with DFT's October 2007 initial public offering, we entered into tax protection agreements with some of the contributors of the initial properties including DFT's Chairman of the Board and President and CEO. Pursuant to the terms of these agreements, if we dispose of any interest in the initial contributed properties that generates more than a certain allowable amount of built-in gain for the contributors, as a group, in any single year through 2017, we will indemnify the contributors for a portion of the tax liabilities incurred with respect to the amount of built-in gain and tax liabilities incurred as a result of the reimbursement payment. The amount of initial built-in gain that can be recognized as of January 1, 2014 without triggering the tax protection provisions is approximately 70% of the initial built in gain of \$667 million (unaudited) or \$467 million (unaudited). This percentage increases each year by 10%, accumulating to 100% in 2017. If, as of January 1, 2014, the tax protection provisions were triggered, we could be liable for protection on the taxes related to approximately up to \$100 million (unaudited) of built-in gain. Additionally, we must provide an opportunity for certain of the contributors of the initial properties to guarantee a secured loan. Any sale by the Company that requires payments to any of DFT's executive officers or directors pursuant to these agreements requires the approval of at least 75% of the disinterested members of DFT's Board of Directors.

## **6. Redeemable noncontrolling interests – operating partnership / Redeemable partnership units**

Redeemable noncontrolling interests – operating partnership, as presented in DFT's consolidated balance sheets, represent the OP units held by individuals and entities other than DFT. These interests are also presented in the Operating Partnership's consolidated balance sheets, referred to as "redeemable partnership units." Accordingly, the following discussion related to redeemable noncontrolling interests – operating partnership of DFT refers equally to redeemable partnership units of the Operating Partnership.

The redemption value of redeemable noncontrolling interests – operating partnership as of June 30, 2014 and December 31, 2013 was \$419.8 million and \$387.2 million, respectively, based on the closing share price of DFT's common stock of \$26.96 and \$24.71, respectively, on those dates.

Holders of OP units are entitled to receive distributions in a per unit amount equal to the per share dividends made with respect to each share of DFT's common stock, if and when DFT's Board of Directors declares such a dividend. Holders of OP units have the right to tender their units for redemption, in an amount equal to the fair market value of DFT's common stock. DFT may elect to redeem tendered OP units for cash or for shares of DFT's common stock. During the six months ended June 30, 2014, OP unitholders redeemed a total of 100,300 OP units in exchange for an equal number of shares of common stock. See Note 2.

## **7. Preferred Stock**

### ***Series A Preferred Stock***

In October 2010, DFT issued 7,400,000 shares of 7.875% Series A Cumulative Redeemable Perpetual Preferred Stock ("Series A Preferred Stock") for \$185 million in an underwritten public offering. The liquidation preference on the Series A Preferred Stock is \$25 per share and dividends are scheduled quarterly. For each share of Series A Preferred Stock issued by DFT, the Operating Partnership issued a preferred unit equivalent to DFT with the same terms.

In 2014, DFT declared and paid the following cash dividends on its Series A Preferred Stock, of which the OP paid equivalent distributions on its preferred units:

- \$0.4921875 per share payable to stockholders of record as of April 4, 2014. This dividend was paid on April 15, 2014.
- \$0.4921875 per share payable to stockholders of record as of July 3, 2014. This dividend was paid on July 15, 2014.

### ***Series B Preferred Stock***

In March 2011 and January 2012, DFT issued an aggregate of 6,650,000 shares of 7.625% Series B Cumulative Redeemable Perpetual Preferred Stock (“Series B Preferred Stock”) for \$166.3 million in underwritten public offerings. The liquidation preference on the Series B Preferred Stock is \$25 per share and dividends are scheduled quarterly. For each share of Series B Preferred Stock issued by DFT, the Operating Partnership issued a preferred unit equivalent to DFT with the same terms.

In 2014, DFT declared and paid the following cash dividends on its Series B Preferred Stock, of which the OP paid equivalent distributions on its preferred units:

- \$0.4765625 per share payable to stockholders of record as of April 4, 2014. This dividend was paid on April 15, 2014.
- \$0.4765625 per share payable to stockholders of record as of July 3, 2014. This dividend was paid on July 15, 2014.

## **8. Stockholders’ Equity of DFT and Partners’ Capital of the OP**

In 2014, DFT declared and paid the following cash dividends per share on its common stock, of which the OP paid equivalent distributions on OP units:

- \$0.35 per share payable to stockholders of record as of April 4, 2014. This dividend was paid on April 15, 2014.
- \$0.35 per share payable to stockholders of record as of July 3, 2014. This dividend was paid on July 15, 2014.

In 2013, the Board of Directors approved a common stock repurchase program that commenced in November 2013 and expires on December 31, 2014. During the six months ended June 30, 2014, DFT repurchased no shares of its common stock and \$122.2 million is still available for repurchase under the program.

## **9. Equity Compensation Plan**

In May 2011, our Board of Directors adopted the 2011 Equity Incentive Plan (the “2011 Plan”) following approval from our stockholders. The 2011 Plan is administered by the Compensation Committee of our Board of Directors. The 2011 Plan allows us to provide equity-based compensation to our personnel and directors in the form of stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units, performance-based awards, unrestricted stock, long term incentive units (“LTIP units”) and other awards.

The 2011 Plan authorizes a maximum aggregate of 6,300,000 share equivalents be reserved for future issuances. In addition, shares that were awarded under our 2007 Equity Compensation Plan (the “2007 Plan”) that subsequently become available due to forfeitures of such awards are available for issuance under the 2011 Plan.

The 2011 Plan provides that awards can no longer be made under the 2007 Plan. Furthermore, under the 2011 Plan, shares of common stock that are subject to awards of options or stock appreciation rights will be counted against the 2011 Plan share limit as one share for every one share subject to the award. Any shares of stock that are subject to awards other than options or stock appreciation rights shall be counted against the 2011 Plan share limit as 2.36 shares for every one share subject to the award.

As of June 30, 2014, 2,152,534 share equivalents were issued under the 2011 Plan, and the maximum aggregate amount of share equivalents remaining available for future issuance was 4,147,466.

### ***Restricted Stock***

Restricted stock awards vest over specified periods of time as long as the employee remains employed with the Company. The following table sets forth the number of unvested shares of restricted stock and the weighted average fair value of these shares at the date of grant:

|                                       | Shares of<br>Restricted Stock | Weighted Average<br>Fair Value at<br>Date of Grant |
|---------------------------------------|-------------------------------|--|
| Unvested balance at December 31, 2013 | 303,964                       | \$ 22.89   |
| Granted                               | 146,940                       | \$ 25.58   |
| Vested                                | (119,251)                     | \$ 23.02   |
| Forfeited                             | (610)                         | \$ 23.52   |
| Unvested balance at June 30, 2014     | 331,043                       | \$ 24.04   |

During the six months ended June 30, 2014, we issued 146,940 shares of restricted stock, which had an aggregate value of \$3.8 million on the grant date. This amount will be amortized to expense over the respective vesting periods, which are typically three years. Also during the six months ended June 30, 2014, 119,251 shares of restricted stock vested at a value of \$3.2 million on the respective vesting dates.

As of June 30, 2014, total unearned compensation on restricted stock was \$6.7 million, and the weighted average vesting period was 1.6 years.

### Stock Options

Stock option awards are granted with an exercise price equal to the closing market price of DFT's common stock at the date of grant and vest over specified periods of time as long as the employee remains employed with the Company. All shares to be issued upon option exercises will be newly issued shares and the options have 10-year contractual terms. During the six months ended June 30, 2014, no options were granted to employees.

A summary of our stock option activity under the applicable equity incentive plan for the six months ended June 30, 2014 is presented in the tables below.

|                                 | Number of<br>Options | Weighted Average<br>Exercise Price |
|---------------------------------|----------------------|------------------------------------|
| Under option, December 31, 2013 | 2,099,910            | \$ 17.13                           |
| Granted                         | —                    | \$ —                               |
| Exercised                       | (409,134)            | \$ 8.45                            |
| Forfeited                       | —                    | \$ —                               |
| Under option, June 30, 2014     | 1,690,776            | \$ 19.23                           |

|                     | Shares Subject<br>to Option | Total Unearned<br>Compensation | Weighted Average<br>Vesting Period | Weighted Average<br>Remaining<br>Contractual Term |
|---------------------|-----------------------------|--------------------------------|------------------------------------|---|
| As of June 30, 2014 | 1,690,776                   | \$ 1.2 million                 | 1.0 year                           | 6.7 years   |

The following table sets forth the number of unvested options as of June 30, 2014 and the weighted average fair value of these options at the grant date.

|                                       | Number of<br>Options | Weighted Average<br>Fair Value<br>at Date of Grant |
|---------------------------------------|----------------------|--|
| Unvested balance at December 31, 2013 | 684,111              | \$ 5.73  |
| Granted                               | —                    | \$ —   |
| Vested                                | (381,787)            | \$ 6.28  |
| Forfeited                             | —                    | \$ —   |
| Unvested balance at June 30, 2014     | 302,324              | \$ 5.05  |

The following tables sets forth the number of exercisable options as of June 30, 2014 and the weighted average fair value and exercise price of these options at the grant date.

|  | Number of Options | Weighted Average Fair Value at Date of Grant |
|--|-------------------|--|
| Options Exercisable at December 31, 2013 | 1,415,799         | \$ 4.81                                      |
| Vested                                   | 381,787           | \$ 6.28                                      |
| Exercised                                | (409,134)         | \$ 2.71                                      |
| Options Exercisable at June 30, 2014     | 1,388,452         | \$ 5.83                                      |

|                     | Exercisable Options | Intrinsic Value | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term |
|---------------------|---------------------|-----------------|---------------------------------|---|
| As of June 30, 2014 | 1,388,452           | \$ 11.8 million | \$ 18.50                        | 6.3 years                                   |

### Performance Units

Performance unit awards are awarded to certain executive employees and have a three calendar-year performance period with no dividend rights. Performance units will be settled in common shares following the performance period as long as the employee remains employed with us on the vesting date, which is the March 1st date following the last day of the applicable performance period. Performance units are valued using a Monte Carlo simulation and are amortized over the three year vesting period from the grant date to the vesting date. The number of common shares settled could range from 0% to 300%. For performance unit award grants prior to 2014, the vesting amount is dependent on DFT's total stockholder return compared to the MSCI US REIT index over the three calendar-year performance period.

For performance unit grants awarded in 2014, one-half of the recipient's performance unit award is dependent on DFT's total stockholder return compared to the MSCI US REIT index over the three calendar-year performance period. The other half of the performance unit award is dependent on DFT's total stockholder return compared to an index of five comparable publicly traded data center companies over the three calendar-year performance period. The following table summarizes the assumptions used to value, and the resulting fair and maximum values of, the performance units granted during the six months ended June 30, 2014.

|   | Assumption    |
|---|---------------|
| Number of performance units granted   | 110,441       |
| Expected volatility   | 30%           |
| Expected annual dividend  | 5%            |
| Risk-free rate  | 0.74%         |
| Performance unit fair value at date of grant  | \$ 33.50      |
| Total grant fair value at date of grant   | \$3.7 million |
| Maximum value of grant on vesting date based on closing price of DFT's stock at the date of grant | \$8.5 million |

As of June 30, 2014, total unearned compensation on outstanding performance units was \$4.3 million.

## 10. Earnings Per Share of DFT

The following table sets forth the reconciliation of basic and diluted average shares outstanding used in the computation of earnings per share of common stock (in thousands except for share and per share amounts):

|  | Three months ended June 30, |            | Six months ended June 30, |            |
|--|-----------------------------|------------|---------------------------|------------|
|  | 2014                        | 2013       | 2014                      | 2013       |
| <b>Basic and Diluted Shares Outstanding</b>        |                             |            |                           |            |
| Weighted average common shares – basic             | 65,486,202                  | 64,380,566 | 65,417,615                | 64,733,309 |
| Effect of dilutive securities                      | 464,911                     | 808,341    | 470,282                   | 823,543    |
| Weighted average common shares – diluted           | 65,951,113                  | 65,188,907 | 65,887,897                | 65,556,852 |
| <b>Calculation of Earnings per Share – Basic</b>   |                             |            |                           |            |
| Net income attributable to common shares           | \$ 21,121                   | \$ 11,971  | \$ 41,166                 | \$ 19,914  |
| Net income allocated to unvested restricted shares | (116)                       | (69)       | (232)                     | (124)      |
| Net income attributable to common shares, adjusted | 21,005                      | 11,902     | 40,934                    | 19,790     |
| Weighted average common shares – basic             | 65,486,202                  | 64,380,566 | 65,417,615                | 64,733,309 |
| Earnings per common share – basic                  | \$ 0.32                     | \$ 0.19    | \$ 0.63                   | \$ 0.31    |
| <b>Calculation of Earnings per Share – Diluted</b> |                             |            |                           |            |
| Net income attributable to common shares           | \$ 21,121                   | \$ 11,971  | \$ 41,166                 | \$ 19,914  |
| Adjustments to redeemable noncontrolling interests | 29                          | 29         | 56                        | 50         |
| Adjusted net income available to common shares     | 21,150                      | 12,000     | 41,222                    | 19,964     |
| Weighted average common shares – diluted           | 65,951,113                  | 65,188,907 | 65,887,897                | 65,556,852 |
| Earnings per common share – diluted                | \$ 0.32                     | \$ 0.18    | \$ 0.63                   | \$ 0.30    |

The following table sets forth the amount of restricted shares, stock options and performance units that have been excluded from the calculation of diluted earnings per share as their effect would have been antidilutive (in millions):

|                   | Three months ended June 30, |      | Six months ended June 30, |      |
|-------------------|-----------------------------|------|---------------------------|------|
|                   | 2014                        | 2013 | 2014                      | 2013 |
| Restricted Shares | —                           | —    | —                         | —    |
| Stock Options     | —                           | 1.3  | —                         | 1.2  |
| Performance Units | 0.2                         | 0.1  | 0.2                       | 0.1  |

## 11. Earnings Per Unit of the Operating Partnership

The following table sets forth the reconciliation of basic and diluted average units outstanding used in the computation of earnings per unit:

|   | Three months ended June 30, |            | Six months ended June 30, |            |
|---|-----------------------------|------------|---------------------------|------------|
|   | 2014                        | 2013       | 2014                      | 2013       |
| <b>Basic and Diluted Units Outstanding</b>  |                             |            |                           |            |
| Weighted average common units – basic (includes redeemable partnership units and units of general and limited partners) | 81,064,230                  | 80,311,476 | 81,010,515                | 80,781,930 |
| Effect of dilutive securities   | 464,911                     | 808,341    | 470,282                   | 823,543    |
| Weighted average common units – diluted   | 81,529,141                  | 81,119,817 | 81,480,797                | 81,605,473 |

The following table sets forth the amount of restricted units, stock options and performance units that have been excluded from the calculation of diluted earnings per unit as their effect would have been antidilutive (in millions):

|                   | Three months ended June 30, |      | Six months ended June 30, |      |
|-------------------|-----------------------------|------|---------------------------|------|
|                   | 2014                        | 2013 | 2014                      | 2013 |
| Restricted Units  | —                           | —    | —                         | —    |
| Stock Options     | —                           | 1.3  | —                         | 1.2  |
| Performance Units | 0.2                         | 0.1  | 0.2                       | 0.1  |

## 12. Fair Value

### *Assets and Liabilities Measured at Fair Value*

The authoritative guidance issued by the Financial Accounting Standards Board requires disclosure of the fair value of financial instruments. Fair value estimates are subjective in nature and are dependent on a number of important assumptions, including estimates of future cash flows, risks, discount rates, and relevant comparable market information associated with each financial instrument. The use of different market assumptions and estimation methodologies may have a material effect on the reported estimated fair value amounts. Accordingly, the amounts are not necessarily indicative of the amounts we would realize in a current market exchange.

The following methods and assumptions were used in estimating the fair value amounts and disclosures for financial instruments as of June 30, 2014:

- Cash and cash equivalents: The carrying amount of cash and cash equivalents reported in the accompanying consolidated balance sheets approximates fair value because of the short maturity of these instruments (i.e., less than 90 days).
- Rents and other receivables, accounts payable and accrued liabilities, and prepaid rents: The carrying amount of these assets and liabilities reported in the accompanying consolidated balance sheets approximates fair value because of the short-term nature of these amounts.
- Debt: The combined balance of our Unsecured Notes due 2021, Unsecured Term Loan and ACC3 Term Loan was \$965.0 million with a fair value of \$987.6 million based on Level 2 and Level 3 data. The Level 2 data is for the Unsecured Notes due 2021 and consisted of a quoted price for the Unsecured Notes due 2021 from a third party financial market data provider. The Level 3 data is for the ACC3 Loan and the Unsecured Term Loan and is based on discounted cash flows using a one-month LIBOR swap rate as of June 30, 2014 plus a spread that is consistent with current market conditions.

## 13. Supplemental Consolidating Financial Data for Subsidiary Guarantors of the Unsecured Notes

On September 24, 2013, the Operating Partnership issued the Unsecured Notes due 2021 (See Note 4). The Unsecured Notes due 2021 are unconditionally guaranteed, jointly and severally on a senior unsecured basis by DFT and certain of our subsidiaries, including the subsidiaries that own the ACC2, ACC4, ACC5, ACC6, VA3, VA4, CH1, NJ1 and SC1 data centers and the SC2 parcel of land (collectively, the "Subsidiary Guarantors"), but excluding the subsidiaries that own the ACC3 data center facility, the ACC7 and CH2 data centers under development, the ACC8 parcel of land and the TRS collectively, the "Subsidiary Non-Guarantors". The following consolidating financial information sets forth the financial position as of June 30, 2014 and December 31, 2013 and the results of operations and cash flows for the six months ended June 30, 2014 and 2013 of the Operating Partnership, Subsidiary Guarantors and the Subsidiary Non-Guarantors.

**DUPONT FABROS TECHNOLOGY, L.P.**

**SUPPLEMENTAL CONSOLIDATING BALANCE SHEETS**  
(in thousands except share data)

|   | June 30, 2014         |                       |                           |                      |                     |
|---|-----------------------|-----------------------|---------------------------|----------------------|---------------------|
|   | Operating Partnership | Subsidiary Guarantors | Subsidiary Non-Guarantors | Eliminations         | Consolidated Total  |
| <b>ASSETS</b>   |                       |                       |                           |                      |                     |
| Income producing property:  |                       |                       |                           |                      |                     |
| Land  | \$ —                  | \$ 79,935             | \$ 1,071                  | \$ —                 | \$ 81,006           |
| Buildings and improvements  | —                     | 2,421,238             | 102,778                   | —                    | 2,524,016           |
|   | —                     | 2,501,173             | 103,849                   | —                    | 2,605,022           |
| Less: accumulated depreciation  | —                     | (429,223)             | (28,473)                  | —                    | (457,696)           |
| Net income producing property   | —                     | 2,071,950             | 75,376                    | —                    | 2,147,326           |
| Construction in progress and land held for development  | —                     | 108,338               | 202,597                   | —                    | 310,935             |
| Net real estate   | —                     | 2,180,288             | 277,973                   | —                    | 2,458,261           |
| Cash and cash equivalents   | 48,997                | —                     | 2,926                     | —                    | 51,923              |
| Rents and other receivables   | 4,276                 | 4,404                 | 1,763                     | —                    | 10,443              |
| Deferred rent   | —                     | 144,117               | 3,905                     | —                    | 148,022             |
| Lease contracts above market value, net   | —                     | 8,604                 | —                         | —                    | 8,604               |
| Deferred costs, net   | 17,853                | 15,458                | 6,829                     | —                    | 40,140              |
| Investment in affiliates  | 2,459,181             | —                     | —                         | (2,459,181)          | —                   |
| Prepaid expenses and other assets   | 2,917                 | 43,773                | 2,969                     | —                    | 49,659              |
| <b>Total assets</b>   | <b>\$ 2,533,224</b>   | <b>\$ 2,396,644</b>   | <b>\$ 296,365</b>         | <b>\$(2,459,181)</b> | <b>\$ 2,767,052</b> |
| <b>LIABILITIES AND PARTNERS' CAPITAL</b>  |                       |                       |                           |                      |                     |
| Liabilities:  |                       |                       |                           |                      |                     |
| Line of credit  | \$ —                  | \$ —                  | \$ —                      | \$ —                 | \$ —                |
| Mortgage notes payable  | —                     | —                     | 115,000                   | —                    | 115,000             |
| Unsecured term loan   | 250,000               | —                     | —                         | —                    | 250,000             |
| Unsecured notes payable   | 600,000               | —                     | —                         | —                    | 600,000             |
| Accounts payable and accrued liabilities  | 2,996                 | 15,633                | 5,460                     | —                    | 24,089              |
| Construction costs payable  | 112                   | 9,340                 | 15,580                    | —                    | 25,032              |
| Accrued interest payable  | 10,577                | —                     | 11                        | —                    | 10,588              |
| Distribution payable  | 34,243                | —                     | —                         | —                    | 34,243              |
| Lease contracts below market value, net   | —                     | 8,783                 | —                         | —                    | 8,783               |
| Prepaid rents and other liabilities   | 37                    | 59,998                | 4,023                     | —                    | 64,058              |
| <b>Total liabilities</b>  | <b>897,965</b>        | <b>93,754</b>         | <b>140,074</b>            | <b>—</b>             | <b>1,131,793</b>    |
| Redeemable partnership units  | 419,801               | —                     | —                         | —                    | 419,801             |
| Commitments and contingencies   | —                     | —                     | —                         | —                    | —                   |
| Limited Partners' Capital:  |                       |                       |                           |                      |                     |
| Series A cumulative redeemable perpetual preferred units, 7,400,000 issued and outstanding at June 30, 2014 | 185,000               | —                     | —                         | —                    | 185,000             |
| Series B cumulative redeemable perpetual preferred units, 6,650,000 issued and outstanding at June 30, 2014 | 166,250               | —                     | —                         | —                    | 166,250             |
| Common units, 65,169,299 issued and outstanding at June 30, 2014  | 855,513               | 2,302,890             | 156,291                   | (2,459,181)          | 855,513             |
| General partner's capital, 662,373 common units issued and outstanding at June 30, 2014                     | 8,695                 | —                     | —                         | —                    | 8,695               |
| <b>Total partners' capital</b>  | <b>1,215,458</b>      | <b>2,302,890</b>      | <b>156,291</b>            | <b>(2,459,181)</b>   | <b>1,215,458</b>    |
| <b>Total liabilities &amp; partners' capital</b>  | <b>\$ 2,533,224</b>   | <b>\$ 2,396,644</b>   | <b>\$ 296,365</b>         | <b>\$(2,459,181)</b> | <b>\$ 2,767,052</b> |



# DUPONT FABROS TECHNOLOGY, L.P.

## SUPPLEMENTAL CONSOLIDATING BALANCE SHEETS (in thousands except share data)

|   | December 31, 2013        |                          |                                  |                       |                       |
|---|--------------------------|--------------------------|----------------------------------|-----------------------|-----------------------|
|   | Operating<br>Partnership | Subsidiary<br>Guarantors | Subsidiary<br>Non-<br>Guarantors | Eliminations          | Consolidated<br>Total |
| <b>ASSETS</b>   |                          |                          |                                  |                       |                       |
| Income producing property:  |                          |                          |                                  |                       |                       |
| Land  | \$ —                     | \$ 74,885                | \$ 1,071                         | \$ —                  | \$ 75,956             |
| Buildings and improvements  | —                        | 2,318,414                | 102,572                          | —                     | 2,420,986             |
|   | —                        | 2,393,299                | 103,643                          | —                     | 2,496,942             |
| Less: accumulated depreciation  | —                        | (386,796)                | (26,598)                         | —                     | (413,394)             |
| Net income producing property   | —                        | 2,006,503                | 77,045                           | —                     | 2,083,548             |
| Construction in progress and land held for development  | —                        | 154,404                  | 147,664                          | —                     | 302,068               |
| Net real estate   | —                        | 2,160,907                | 224,709                          | —                     | 2,385,616             |
| Cash and cash equivalents   | 32,903                   | —                        | 1,611                            | —                     | 34,514                |
| Rents and other receivables   | 4,226                    | 3,981                    | 4,467                            | —                     | 12,674                |
| Deferred rent   | —                        | 144,377                  | 5,661                            | —                     | 150,038               |
| Lease contracts above market value, net   | —                        | 9,154                    | —                                | —                     | 9,154                 |
| Deferred costs, net   | 17,318                   | 16,971                   | 5,577                            | —                     | 39,866                |
| Investment in affiliates  | 2,372,121                | —                        | —                                | (2,372,121)           | —                     |
| Prepaid expenses and other assets   | 2,264                    | 37,331                   | 4,912                            | —                     | 44,507                |
| <b>Total assets</b>   | <b>\$ 2,428,832</b>      | <b>\$ 2,372,721</b>      | <b>\$ 246,937</b>                | <b>\$ (2,372,121)</b> | <b>\$ 2,676,369</b>   |
| <b>LIABILITIES AND PARTNERS' CAPITAL</b>  |                          |                          |                                  |                       |                       |
| Liabilities:  |                          |                          |                                  |                       |                       |
| Line of credit  | \$ —                     | \$ —                     | \$ —                             | \$ —                  | \$ —                  |
| Mortgage notes payable  | —                        | —                        | 115,000                          | —                     | 115,000               |
| Unsecured term loan   | 154,000                  | —                        | —                                | —                     | 154,000               |
| Unsecured notes payable   | 600,000                  | —                        | —                                | —                     | 600,000               |
| Accounts payable and accrued liabilities  | 3,547                    | 14,582                   | 5,437                            | —                     | 23,566                |
| Construction costs payable  | —                        | 22,670                   | 22,774                           | —                     | 45,444                |
| Accrued interest payable  | 9,970                    | —                        | 13                               | —                     | 9,983                 |
| Distribution payable  | 25,971                   | —                        | —                                | —                     | 25,971                |
| Lease contracts below market value, net   | —                        | 10,530                   | —                                | —                     | 10,530                |
| Prepaid rents and other liabilities   | 45                       | 49,915                   | 6,616                            | —                     | 56,576                |
| <b>Total liabilities</b>  | <b>793,533</b>           | <b>97,697</b>            | <b>149,840</b>                   | <b>—</b>              | <b>1,041,070</b>      |
| Redeemable partnership units  | 387,244                  | —                        | —                                | —                     | 387,244               |
| Commitments and contingencies   | —                        | —                        | —                                | —                     | —                     |
| Limited Partners' Capital:  |                          |                          |                                  |                       |                       |
| Series A cumulative redeemable perpetual preferred units, 7,400,000 issued and outstanding at December 31, 2013 | 185,000                  | —                        | —                                | —                     | 185,000               |
| Series B cumulative redeemable perpetual preferred units, 6,650,000 issued and outstanding at December 31, 2013 | 166,250                  | —                        | —                                | —                     | 166,250               |
| Common units, 64,542,901 issued and outstanding at December 31, 2013  | 887,695                  | 2,275,024                | 97,097                           | (2,372,121)           | 887,695               |
| General partner's capital, 662,373 common units issued and outstanding at December 31, 2013                     | 9,110                    | —                        | —                                | —                     | 9,110                 |



**DUPONT FABROS TECHNOLOGY, L.P.**

**SUPPLEMENTAL CONSOLIDATING BALANCE SHEETS**

**(in thousands)**

**(Continued)**

|  | <b>December 31, 2013</b>         |                                  |   |                     |                               |
|--|----------------------------------|----------------------------------|---|---------------------|-------------------------------|
|  | <b>Operating<br/>Partnership</b> | <b>Subsidiary<br/>Guarantors</b> | <b>Subsidiary<br/>Non-<br/>Guarantors</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
| <b>Total partners' capital</b>                   | 1,248,055                        | 2,275,024                        | 97,097                                    | (2,372,121)         | 1,248,055                     |
| <b>Total liabilities &amp; partners' capital</b> | \$ 2,428,832                     | \$ 2,372,721                     | \$ 246,937                                | \$ (2,372,121)      | \$ 2,676,369                  |

**DUPONT FABROS TECHNOLOGY, L.P.**

**SUPPLEMENTAL CONSOLIDATING STATEMENTS OF OPERATIONS**  
(in thousands)

|  | Three months ended June 30, 2014 |                       |                           |              |                    |
|--|----------------------------------|-----------------------|---------------------------|--------------|--------------------|
|  | Operating Partnership            | Subsidiary Guarantors | Subsidiary Non-Guarantors | Eliminations | Consolidated Total |
| <b>Revenues:</b>                               |                                  |                       |                           |              |                    |
| Base rent                                      | \$ 4,290                         | \$ 66,218             | \$ 4,274                  | \$ (4,327)   | \$ 70,455          |
| Recoveries from tenants                        | —                                | 27,611                | 2,353                     | —            | 29,964             |
| Other revenues                                 | —                                | 410                   | 1,168                     | (47)         | 1,531              |
| Total revenues                                 | 4,290                            | 94,239                | 7,795                     | (4,374)      | 101,950            |
| <b>Expenses:</b>                               |                                  |                       |                           |              |                    |
| Property operating costs                       | —                                | 29,586                | 2,533                     | (4,337)      | 27,782             |
| Real estate taxes and insurance                | —                                | 3,313                 | 98                        | —            | 3,411              |
| Depreciation and amortization                  | 17                               | 22,452                | 1,134                     | —            | 23,603             |
| General and administrative                     | 3,683                            | 33                    | 152                       | —            | 3,868              |
| Other expenses                                 | 742                              | 16                    | 878                       | (37)         | 1,599              |
| Total expenses                                 | 4,442                            | 55,400                | 4,795                     | (4,374)      | 60,263             |
| Operating income                               | (152)                            | 38,839                | 3,000                     | —            | 41,687             |
| Interest income                                | 39                               | —                     | —                         | —            | 39                 |
| <b>Interest:</b>                               |                                  |                       |                           |              |                    |
| Expense incurred                               | (10,367)                         | 1,270                 | 1,390                     | —            | (7,707)            |
| Amortization of deferred financing costs       | (807)                            | 74                    | 10                        | —            | (723)              |
| Loss on early extinguishment of debt           | (338)                            | —                     | —                         | —            | (338)              |
| Equity in earnings                             | 44,583                           | —                     | —                         | (44,583)     | —                  |
| Net income (loss)                              | 32,958                           | 40,183                | 4,400                     | (44,583)     | 32,958             |
| Preferred unit distributions                   | (6,811)                          | —                     | —                         | —            | (6,811)            |
| Net income (loss) attributable to common units | \$ 26,147                        | \$ 40,183             | \$ 4,400                  | \$ (44,583)  | \$ 26,147          |

**DUPONT FABROS TECHNOLOGY, L.P.**

**SUPPLEMENTAL CONSOLIDATING STATEMENTS OF OPERATIONS**  
(in thousands)

|  | Three months ended June 30, 2013 |                                  |   |                           |                               |
|--|----------------------------------|----------------------------------|---|---------------------------|-------------------------------|
|  | <b>Operating<br/>Partnership</b> | <b>Subsidiary<br/>Guarantors</b> | <b>Subsidiary<br/>Non-<br/>Guarantors</b> | <b>Eliminations</b>       | <b>Consolidated<br/>Total</b> |
| <b>Revenues:</b>                               |                                  |                                  |   |                           |                               |
| Base rent                                      | \$ 3,728                         | \$ 61,229                        | \$ 4,246                                  | \$ (3,765)                | \$ 65,438                     |
| Recoveries from tenants                        | —                                | 23,111                           | 2,208                                     | —                         | 25,319                        |
| Other revenues                                 | —                                | 397                              | 461                                       | (51)                      | 807                           |
| Total revenues                                 | <u>3,728</u>                     | <u>84,737</u>                    | <u>6,915</u>                              | <u>(3,816)</u>            | <u>91,564</u>                 |
| <b>Expenses:</b>                               |                                  |                                  |   |                           |                               |
| Property operating costs                       | —                                | 26,219                           | 2,327                                     | (3,779)                   | 24,767                        |
| Real estate taxes and insurance                | —                                | 3,562                            | 111                                       | —                         | 3,673                         |
| Depreciation and amortization                  | 20                               | 22,035                           | 1,141                                     | —                         | 23,196                        |
| General and administrative                     | 4,253                            | 26                               | 53  | —                         | 4,332                         |
| Other expenses                                 | 349                              | —                                | 273                                       | (37)                      | 585                           |
| Total expenses                                 | <u>4,622</u>                     | <u>51,842</u>                    | <u>3,905</u>                              | <u>(3,816)</u>            | <u>56,553</u>                 |
| Operating (loss) income                        | <u>(894)</u>                     | <u>32,895</u>                    | <u>3,010</u>                              | <u>—</u>                  | <u>35,011</u>                 |
| Interest income                                | 16                               | —                                | —   | —                         | 16                            |
| <b>Interest:</b>                               |                                  |                                  |   |                           |                               |
| Expense incurred                               | (12,205)                         | 27                               | (327)                                     | —                         | (12,505)                      |
| Amortization of deferred financing costs       | (704)                            | 2                                | (73)                                      | —                         | (775)                         |
| Equity in earnings                             | <u>35,534</u>                    | <u>—</u>                         | <u>—</u>                                  | <u>(35,534)</u>           | <u>—</u>                      |
| Net income (loss)                              | <u>21,747</u>                    | <u>32,924</u>                    | <u>2,610</u>                              | <u>(35,534)</u>           | <u>21,747</u>                 |
| Preferred unit distributions                   | (6,811)                          | —                                | —   | —                         | (6,811)                       |
| Net income (loss) attributable to common units | <u><u>\$ 14,936</u></u>          | <u><u>\$ 32,924</u></u>          | <u><u>\$ 2,610</u></u>                    | <u><u>\$ (35,534)</u></u> | <u><u>\$ 14,936</u></u>       |

**DUPONT FABROS TECHNOLOGY, L.P.**

**SUPPLEMENTAL CONSOLIDATING STATEMENTS OF OPERATIONS**  
(in thousands)

|  | Six months ended June 30, 2014 |                          |                                  |              |                       |
|--|--------------------------------|--------------------------|----------------------------------|--------------|-----------------------|
|  | Operating<br>Partnership       | Subsidiary<br>Guarantors | Subsidiary<br>Non-<br>Guarantors | Eliminations | Consolidated<br>Total |
| <b>Revenues:</b>                               |                                |                          |                                  |              |                       |
| Base rent                                      | \$ 8,516                       | \$ 131,184               | \$ 8,550                         | \$ (8,591)   | \$ 139,659            |
| Recoveries from tenants                        | —                              | 57,020                   | 4,633                            | —            | 61,653                |
| Other revenues                                 | —                              | 819                      | 1,966                            | (60)         | 2,725                 |
| Total revenues                                 | 8,516                          | 189,023                  | 15,149                           | (8,651)      | 204,037               |
| <b>Expenses:</b>                               |                                |                          |                                  |              |                       |
| Property operating costs                       | —                              | 61,448                   | 5,005                            | (8,576)      | 57,877                |
| Real estate taxes and insurance                | —                              | 6,670                    | 208                              | —            | 6,878                 |
| Depreciation and amortization                  | 33                             | 44,569                   | 2,270                            | —            | 46,872                |
| General and administrative                     | 7,590                          | 49                       | 469                              | —            | 8,108                 |
| Other expenses                                 | 998                            | 27                       | 1,522                            | (75)         | 2,472                 |
| Total expenses                                 | 8,621                          | 112,763                  | 9,474                            | (8,651)      | 122,207               |
| Operating (loss) income                        | (105)                          | 76,260                   | 5,675                            | —            | 81,830                |
| Interest income                                | 106                            | —                        | 1                                | —            | 107                   |
| <b>Interest:</b>                               |                                |                          |                                  |              |                       |
| Expense incurred                               | (20,577)                       | 2,598                    | 2,448                            | —            | (15,531)              |
| Amortization of deferred financing costs       | (1,629)                        | 149                      | 14                               | —            | (1,466)               |
| Loss on early extinguishment of debt           | (338)                          | —                        | —                                | —            | (338)                 |
| Equity in earnings                             | 87,145                         | —                        | —                                | (87,145)     | —                     |
| Net income (loss)                              | 64,602                         | 79,007                   | 8,138                            | (87,145)     | 64,602                |
| Preferred unit distributions                   | (13,622)                       | —                        | —                                | —            | (13,622)              |
| Net income (loss) attributable to common units | \$ 50,980                      | \$ 79,007                | \$ 8,138                         | \$ (87,145)  | \$ 50,980             |

**DUPONT FABROS TECHNOLOGY, L.P.**

**SUPPLEMENTAL CONSOLIDATING STATEMENTS OF OPERATIONS**  
(in thousands)

|  | Six months ended June 30, 2013 |                          |                                  |              |                       |
|--|--------------------------------|--------------------------|----------------------------------|--------------|-----------------------|
|  | Operating<br>Partnership       | Subsidiary<br>Guarantors | Subsidiary<br>Non-<br>Guarantors | Eliminations | Consolidated<br>Total |
| <b>Revenues:</b>                               |                                |                          |                                  |              |                       |
| Base rent                                      | \$ 7,377                       | \$ 121,090               | \$ 8,555                         | \$ (7,452)   | \$ 129,570            |
| Recoveries from tenants                        | —                              | 43,757                   | 4,252                            | —            | 48,009                |
| Other revenues                                 | —                              | 809                      | 1,009                            | (74)         | 1,744                 |
| Total revenues                                 | 7,377                          | 165,656                  | 13,816                           | (7,526)      | 179,323               |
| <b>Expenses:</b>                               |                                |                          |                                  |              |                       |
| Property operating costs                       | —                              | 51,119                   | 4,611                            | (7,451)      | 48,279                |
| Real estate taxes and insurance                | —                              | 7,092                    | 222                              | —            | 7,314                 |
| Depreciation and amortization                  | 46                             | 44,044                   | 2,145                            | —            | 46,235                |
| General and administrative                     | 8,505                          | 57                       | 320                              | —            | 8,882                 |
| Other expenses                                 | 439                            | 296                      | 697                              | (75)         | 1,357                 |
| Total expenses                                 | 8,990                          | 102,608                  | 7,995                            | (7,526)      | 112,067               |
| Operating (loss) income                        | (1,613)                        | 63,048                   | 5,821                            | —            | 67,256                |
| Interest income                                | (232)                          | 20                       | —                                | 265          | 53                    |
| <b>Interest:</b>                               |                                |                          |                                  |              |                       |
| Expense incurred                               | (24,264)                       | (1,015)                  | 102                              | (265)        | (25,442)              |
| Amortization of deferred financing costs       | (1,386)                        | (244)                    | (63)                             | —            | (1,693)               |
| Loss on early extinguishment of debt           | —                              | (1,700)                  | —                                | —            | (1,700)               |
| Equity in earnings                             | 65,969                         | —                        | —                                | (65,969)     | —                     |
| Net income (loss)                              | 38,474                         | 60,109                   | 5,860                            | (65,969)     | 38,474                |
| Preferred unit distributions                   | (13,622)                       | —                        | —                                | —            | (13,622)              |
| Net income (loss) attributable to common units | \$ 24,852                      | \$ 60,109                | \$ 5,860                         | \$ (65,969)  | \$ 24,852             |

**DUPONT FABROS TECHNOLOGY, L.P.**

**SUPPLEMENTAL CONSOLIDATING STATEMENTS OF CASH FLOWS**  
(in thousands)

|  | Six months ended June 30, 2014 |                       |                           |              |                    |
|--|--------------------------------|-----------------------|---------------------------|--------------|--------------------|
|  | Operating Partnership          | Subsidiary Guarantors | Subsidiary Non-Guarantors | Eliminations | Consolidated Total |
| <b>Cash flow from operating activities</b>             |                                |                       |                           |              |                    |
| Net cash (used in) provided by operating activities    | \$ (21,458)                    | \$ 127,378            | \$ 12,709                 | \$ —         | \$ 118,629         |
| <b>Cash flow from investing activities</b>             |                                |                       |                           |              |                    |
| Investments in real estate – development               | (236)                          | (65,705)              | (62,127)                  | —            | (128,068)          |
| Investments in affiliates                              | 3,174                          | (57,808)              | 54,634                    | —            | —                  |
| Interest capitalized for real estate under development | (4)                            | (2,597)               | (3,562)                   | —            | (6,163)            |
| Improvements to real estate                            | —                              | (1,020)               | —                         | —            | (1,020)            |
| Additions to non-real estate property                  | (9)                            | (248)                 | (26)                      | —            | (283)              |
| Net cash used in investing activities                  | 2,925                          | (127,378)             | (11,081)                  | —            | (135,534)          |
| <b>Cash flow from financing activities</b>             |                                |                       |                           |              |                    |
| Unsecured term loan:                                   |                                |                       |                           |              |                    |
| Proceeds   | 96,000                         | —                     | —                         | —            | 96,000             |
| Payments of financing costs                            | (2,503)                        | —                     | (313)                     | —            | (2,816)            |
| Exercises of stock options                             | 3,457                          | —                     | —                         | —            | 3,457              |
| Distributions  | (62,327)                       | —                     | —                         | —            | (62,327)           |
| Net cash provided by (used in) financing activities    | 34,627                         | —                     | (313)                     | —            | 34,314             |
| Net increase in cash and cash equivalents              | 16,094                         | —                     | 1,315                     | —            | 17,409             |
| Cash and cash equivalents, beginning                   | 32,903                         | —                     | 1,611                     | —            | 34,514             |
| Cash and cash equivalents, ending                      | \$ 48,997                      | \$ —                  | \$ 2,926                  | \$ —         | \$ 51,923          |

**DUPONT FABROS TECHNOLOGY, L.P.**

**SUPPLEMENTAL CONSOLIDATING STATEMENTS OF CASH FLOWS**  
(in thousands)

|  | Six months ended June 30, 2013 |                       |                           |              |                    |
|--|--------------------------------|-----------------------|---------------------------|--------------|--------------------|
|  | Operating Partnership          | Subsidiary Guarantors | Subsidiary Non-Guarantors | Eliminations | Consolidated Total |
| <b>Cash flow from operating activities</b>             |                                |                       |                           |              |                    |
| Net cash (used in) provided by operating activities    | \$ (26,379)                    | \$ 104,102            | \$ 8,064                  | \$ —         | \$ 85,787          |
| <b>Cash flow from investing activities</b>             |                                |                       |                           |              |                    |
| Investments in real estate – development               | (13)                           | (13,649)              | (6,854)                   | —            | (20,516)           |
| Investments in affiliates                              | 60,306                         | 53,516                | (113,822)                 | —            | —                  |
| Interest capitalized for real estate under development | —                              | (33)                  | (471)                     | —            | (504)              |
| Improvements to real estate                            | —                              | (4,260)               | (97)                      | —            | (4,357)            |
| Additions to non-real estate property                  | (6)                            | (18)                  | —                         | —            | (24)               |
| Net cash provided by (used in) investing activities    | 60,287                         | 35,556                | (121,244)                 | —            | (25,401)           |
| <b>Cash flow from financing activities</b>             |                                |                       |                           |              |                    |
| Line of credit:  |                                |                       |                           |              |                    |
| Proceeds   | 72,000                         | —                     | —                         | —            | 72,000             |
| Repayments   | (30,000)                       | —                     | —                         | —            | (30,000)           |
| Mortgage notes payable:                                |                                |                       |                           |              |                    |
| Proceeds   | —                              | —                     | 115,000                   | —            | 115,000            |
| Lump sum payoffs                                       | —                              | (138,300)             | —                         | —            | (138,300)          |
| Repayments   | —                              | (1,300)               | —                         | —            | (1,300)            |
| Payments of Financing costs                            | (1,329)                        | (4)                   | (1,703)                   | —            | (3,036)            |
| Stock repurchases                                      | (37,792)                       | —                     | —                         | —            | (37,792)           |
| Distributions  | (46,163)                       | —                     | —                         | —            | (46,163)           |
| Net cash (used in) provided by financing activities    | (43,284)                       | (139,604)             | 113,297                   | —            | (69,591)           |
| Net (decrease) increase in cash and cash equivalents   | (9,376)                        | 54                    | 117                       | —            | (9,205)            |
| Cash and cash equivalents, beginning                   | 18,240                         | 361                   | 681                       | —            | 19,282             |
| Cash and cash equivalents, ending                      | \$ 8,864                       | \$ 415                | \$ 798                    | \$ —         | \$ 10,077          |

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Special Note Regarding Forward-Looking Statements**

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. This report contains forward-looking statements within the meaning of the federal securities laws. We caution investors that any forward-looking statements presented in this report, or which management may make orally or in writing from time to time, are based on management's beliefs and assumptions made by, and information currently available to, management. When used, the words "anticipate," "believe," "expect," "intend," "may," "might," "plan," "estimate," "project," "should," "will," "result" and similar expressions, which do not relate solely to historical matters, are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. We caution you that while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

For a detailed discussion of certain of the risks and uncertainties that could cause our future results to differ materially from any forward-looking statements, see Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2013. You should also review the risks, uncertainties and other factors discussed in this Quarterly Report on Form 10-Q and in other documents that we file from time to time with the Securities and Exchange Commission ("SEC"). The risks and uncertainties discussed in these reports are not exhaustive. We operate in a very competitive and rapidly changing environment and new risk factors may emerge from time to time. It is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

### **Overview**

DuPont Fabros Technology, Inc. ("DFT") was formed on March 2, 2007, is a real estate investment trust, or REIT, and is headquartered in Washington, D.C. DFT is a fully integrated, self-administered and self-managed company that owns, acquires, develops and operates wholesale data centers. DFT is the sole general partner of, and, as of June 30, 2014, owned 80.9% of the common economic interest in, DuPont Fabros Technology, L.P. (the "Operating Partnership" or "OP"). Unless otherwise indicated or unless the context requires otherwise, all references to "we," "us," "our," "our Company" or "the Company" refer to DFT and the Operating Partnership, collectively. DFT's common stock trades on the New York Stock Exchange, or NYSE, under the symbol "DFT". DFT's Series A and Series B preferred stock also trade on the NYSE under the symbols "DFTPrA" and "DFTPrB", respectively.

As of June 30, 2014, we owned and operated ten data centers, seven of which are located in Northern Virginia, one in suburban Chicago, Illinois, one in Piscataway, New Jersey and one in Santa Clara, California. In July 2014, we placed into service our eleventh data center, ACC7 Phase I, located in Ashburn, Virginia. As discussed below, we also own certain properties for future development and parcels of land that we intend to develop in the future, into wholesale data centers. With this portfolio of properties, we believe that we are well positioned as a fully integrated wholesale data center provider, capable of developing, leasing, operating and managing our growing portfolio.



The following table presents a summary of our operating properties as of July 1, 2014:

***Operating Properties  
As of July 1, 2014***

| Property                                | Property Location     | Year Built/<br>Renovated | Gross<br>Building<br>Area (2) | Computer<br>Room<br>Square Feet<br>("CRSF") (2) | CRSF %<br>Leased<br>(3) | CRSF %<br>Commenced<br>(4) | Critical<br>Load<br>MW (5) | Critical<br>Load %<br>Leased<br>(3) | Critical<br>Load %<br>Commenced<br>(4) |
|---|-----------------------|--------------------------|-------------------------------|---|-------------------------|----------------------------|----------------------------|-------------------------------------|--|
| <b><u>Stabilized (1)</u></b>            |                       |                          |                               |   |                         |                            |                            |                                     |  |
| ACC2                                    | Ashburn, VA           | 2001/2005                | 87,000                        | 53,000  | 100%                    | 100%                       | 10.4                       | 100%                                | 100%                                   |
| ACC3                                    | Ashburn, VA           | 2001/2006                | 147,000                       | 80,000  | 100%                    | 100%                       | 13.9                       | 100%                                | 100%                                   |
| ACC4                                    | Ashburn, VA           | 2007                     | 347,000                       | 172,000   | 100%                    | 100%                       | 36.4                       | 100%                                | 100%                                   |
| ACC5                                    | Ashburn, VA           | 2009-2010                | 360,000                       | 176,000   | 98%                     | 98%                        | 36.4                       | 98%                                 | 98%                                    |
| ACC6                                    | Ashburn, VA           | 2011-2013                | 262,000                       | 130,000   | 100%                    | 100%                       | 26.0                       | 100%                                | 100%                                   |
| CH1                                     | Elk Grove Village, IL | 2008-2012                | 485,000                       | 231,000   | 100%                    | 100%                       | 36.4                       | 100%                                | 100%                                   |
| NJ1 Phase I (6)                         | Piscataway, NJ        | 2010                     | 180,000                       | 88,000  | 64%                     | 64%                        | 18.2                       | 52%                                 | 52%                                    |
| SC1 Phase I                             | Santa Clara, CA       | 2011                     | 180,000                       | 88,000  | 100%                    | 100%                       | 18.2                       | 100%                                | 100%                                   |
| VA3                                     | Reston, VA            | 2003                     | 256,000                       | 147,000   | 94%                     | 94%                        | 13.0                       | 95%                                 | 95%                                    |
| VA4                                     | Bristow, VA           | 2005                     | 230,000                       | 90,000  | 100%                    | 100%                       | 9.6                        | 100%                                | 100%                                   |
| Subtotal – stabilized                   |                       |                          | 2,534,000                     | 1,255,000                                       | 97%                     | 97%                        | 218.5                      | 95%                                 | 95%                                    |
| <b><u>Completed, not Stabilized</u></b> |                       |                          |                               |   |                         |                            |                            |                                     |  |
| SC1 Phase IIA                           | Santa Clara, CA       | 2014                     | 90,000                        | 44,000  | 75%                     | 75%                        | 9.1                        | 77%                                 | 77%                                    |
| Subtotal – non-stabilized               |                       |                          | 90,000                        | 44,000  | 75%                     | 75%                        | 9.1                        | 77%                                 | 77%                                    |
| Total Operating Properties              |                       |                          | 2,624,000                     | 1,299,000                                       | 96%                     | 96%                        | 227.6                      | 95%                                 | 95%                                    |

- (1) Stabilized operating properties are either 85% or more leased and commenced or have been in service for 24 months or greater.
- (2) Gross building area is the entire building area, including CRSF (the portion of gross building area where our customers' computer servers are located), common areas, areas controlled by us (such as the mechanical, telecommunications and utility rooms) and, in some facilities, individual office and storage space leased on an as available basis to our customers.
- (3) Percentage leased is expressed as a percentage of CRSF or critical load, as applicable, that is subject to an executed lease. Leases executed as of July 1, 2014 represent \$286 million of base rent on a GAAP basis and \$300 million of base rent on a cash basis over the next twelve months. Both amounts include \$18 million of revenue from management fees over the next twelve months.
- (4) Percentage commenced is expressed as a percentage of CRSF or critical load, as applicable, where the lease has commenced under generally accepted accounting principles.
- (5) Critical load (also referred to as IT load or load used by customers' servers or related equipment) is the power available for exclusive use by customers expressed in terms of megawatt, or MW, or kilowatt, or kW (1 MW is equal to 1,000 kW).
- (6) As of July 23, 2014, NJ1 Phase I was 59% leased on a critical load basis and 70% leased on a CRSF basis.

***Lease Expirations  
As of July 1, 2014***

The following table sets forth a summary schedule of lease expirations at our operating properties for each of the ten calendar years beginning with 2014. The information set forth in the table below assumes that customers exercise no renewal options and takes into account customers' early termination options in determining the life of their leases under GAAP.

| <b>Year of Lease Expiration</b> | <b>Number of Leases Expiring (1)</b> | <b>CRSF of Expiring Commenced Leases (in thousands) (2)</b> | <b>% of Leased CRSF</b> | <b>Total kW of Expiring Commenced Leases (2)</b> | <b>% of Leased kW</b> | <b>% of Annualized Base Rent (3)</b> |
|---------------------------------|--------------------------------------|---|-------------------------|--|-----------------------|--------------------------------------|
| 2014 (4)                        | 1                                    | 5   | 0.4%                    | 1,137  | 0.5%                  | 0.7%                                 |
| 2015                            | 4                                    | 70  | 5.6%                    | 13,812   | 6.4%                  | 6.4%                                 |
| 2016                            | 4                                    | 32  | 2.6%                    | 4,686  | 2.2%                  | 2.4%                                 |
| 2017                            | 14                                   | 102   | 8.2%                    | 18,106   | 8.5%                  | 8.4%                                 |
| 2018                            | 20                                   | 203   | 16.3%                   | 38,566   | 17.9%                 | 17.8%                                |
| 2019                            | 16                                   | 247   | 19.9%                   | 42,287   | 19.6%                 | 18.1%                                |
| 2020                            | 10                                   | 106   | 8.5%                    | 16,496   | 7.7%                  | 8.4%                                 |
| 2021                            | 9                                    | 159   | 12.8%                   | 27,682   | 12.8%                 | 13.2%                                |
| 2022                            | 6                                    | 75  | 6.0%                    | 12,812   | 5.9%                  | 6.9%                                 |
| 2023                            | 4                                    | 48  | 3.9%                    | 6,475  | 3.0%                  | 2.7%                                 |
| After 2023                      | 12                                   | 196   | 15.8%                   | 33,425   | 15.5%                 | 15.0%                                |
| Total                           | 100                                  | 1,243   | 100%                    | 215,484  | 100%                  | 100%                                 |

- (1) Represents 34 customers with 100 lease expiration dates. Top four customers represent 62% of annualized base rent.
- (2) CRSF is that portion of gross building area where customers locate their computer servers. One MW is equal to 1,000 kW.
- (3) Annualized base rent represents the monthly contractual base rent (defined as cash base rent before abatements) multiplied by 12 for commenced leases as of July 1, 2014.
- (4) In July 2014, this lease was renewed for two years and now expires in 2016.

**Development Projects**  
**As of June 30, 2014**  
**(\$ in thousands)**

| Property                                  | Property Location     | Gross Building Area (1) | CRSF (2) | Critical Load MW (3) | Estimated Total Cost (4) | Construction in Progress & Land Held for Development (5) | CRSF % Pre-leased | Critical Load % Pre-leased |
|---|-----------------------|-------------------------|----------|----------------------|--------------------------|--|-------------------|----------------------------|
| <b>Current Development Projects</b>       |                       |                         |          |                      |                          |  |                   |                            |
| ACC7 Phase I (6)                          | Ashburn, VA           | 126,000                 | 70,000   | 11.9                 | \$90,000 - \$95,000      | \$ 90,589  | 12%               | 17%                        |
| SC1 Phase IIB                             | Santa Clara, CA       | 90,000                  | 44,000   | 9.1                  | 107,000 - 113,000        | 63,636   | —%                | —%                         |
| CH2 Phase I                               | Elk Grove Village, IL | 93,000                  | 46,000   | 7.1                  | 70,000 - 80,000          | 6,853  | —%                | —%                         |
|   |                       | 309,000                 | 160,000  | 28.1                 | 267,000 - 288,000        | 161,078  |                   |                            |
| <b>Future Development Projects/Phases</b> |                       |                         |          |                      |                          |  |                   |                            |
| ACC7 Phases II to IV                      | Ashburn, VA           | 320,000                 | 176,000  | 29.7                 | 87,000 - 93,000          | 86,544   |                   |                            |
| CH2 Phases II to III                      | Elk Grove Village, IL | 243,000                 | 120,000  | 18.5                 | 120,000 - 130,000        | 14,542   |                   |                            |
| NJ1 Phase II                              | Piscataway, NJ        | 180,000                 | 88,000   | 18.2                 | 39,212                   | 39,212   |                   |                            |
|   |                       | 743,000                 | 384,000  | 66.4                 | \$246,212 - \$262,212    | 140,298  |                   |                            |
| <b>Land Held for Development</b>          |                       |                         |          |                      |                          |  |                   |                            |
| ACC8                                      | Ashburn, VA           | 100,000                 | 50,000   | 10.4                 |                          | 4,069  |                   |                            |
| SC2                                       | Santa Clara, CA       | 200,000                 | 125,000  | 26.0                 |                          | 5,490  |                   |                            |
|   |                       | 300,000                 | 175,000  | 36.4                 |                          | 9,559  |                   |                            |
| Total                                     |                       | 1,352,000               | 719,000  | 130.9                |                          | \$ 310,935   |                   |                            |

- (1) Gross building area is the entire building area, including CRSF (the portion of gross building area where our customers' computer servers are located), common areas, areas controlled by us (such as the mechanical, telecommunications and utility rooms) and, in some facilities, individual office and storage space leased on an available basis to our customers. The respective amounts listed for each of the "Land Held for Development" sites are estimates.
- (2) CRSF is that portion of gross building area where customers locate their computer servers. The respective amounts listed for each of the "Land Held for Development" sites are estimates.
- (3) Critical load (also referred to as IT load or load used by customers' servers or related equipment) is the power available for exclusive use by customers expressed in terms of MW or kW (1 MW is equal to 1,000 kW). The respective amounts listed for each of the "Land Held for Development" sites are estimates.
- (4) Current development projects include land, capitalization for construction and development and capitalized interest and operating carrying costs, as applicable, upon completion. Future development projects/phases include land, shell and underground work through Phase I opening only.
- (5) Amount capitalized as of June 30, 2014. Future development projects/phases include land, shell and underground work through Phase I opening only.
- (6) ACC7 Phase I was placed into service in July 2014.

### Current Development Projects

In June 2014, we placed SC1 Phase IIA into service totaling 9.10 MW of critical load, which was 77% pre-leased on a critical load basis. In July 2014, we placed ACC7 Phase I into service totaling 11.89 MW of critical load, which was 17% pre-leased on a critical load basis. In June 2014, we executed an agreement with our general contractor to build the entire shell and portions of underground conduit at CH2 and fully develop the first phase of CH2 (7.10 MW of critical load) with expected completion in the third quarter of 2015. CH2 is expected to be built in three phases, which will total 25.6 MW of available critical load. In June 2014, we executed an agreement with our general contractor to fully develop Phase IIB of SC1 totaling 9.10 MW of critical load. SC1 Phase IIB is expected to be completed late first quarter of 2015.

## Leasing

We derive substantially all of our revenue from rents received from customers under existing leases at each of our operating properties. Because we believe that critical load is the primary factor used by customers in evaluating data center requirements, rents are based primarily on the amount of power that is made available to customers, rather than the amount of space that they occupy. During the first six months of 2014, we executed four leases representing a total of 7.59 MW of critical load and 52,747 computer room square feet ("CRSF") of space with a weighted average lease term of 6.8 years. These four leases are expected to generate approximately \$7.8 million of annualized GAAP base rent revenue. Two leases were at VA3 representing 3.09 MW of critical load and 33,533 CRSF, one lease was at SC1 Phase IIA representing 2.50 MW of critical load and 11,037 CRSF, and one lease was at ACC7 Phase I representing 2.00 MW of critical load and 8,177 CRSF.

During the first six months of 2014, we renewed two leases for a weighted average lease term of 1.7 years totaling 1.87 MW and 17,672 CRSF. These two renewals did not have an impact on cash base rent. GAAP base rent for these two renewals is 3.8% higher than GAAP base rent prior to the renewals, in the aggregate, on a straight line basis.

Each of our leases includes pass-through provisions under which customers are required to pay for their pro rata share of most of the property level operating expenses, including real estate taxes and insurance – commonly referred to as a triple net lease. Also, customers pay for certain of our operating properties' capital expenditures over their estimated life. In addition, under our triple-net lease structure, customers pay directly for the power they use to run their servers and other computer equipment and power that is used to cool their space. We intend to continue to structure future wholesale leases as triple net leases. Most of our leases also provide us with a property management fee based on a percentage of base rent collected and property-level operating expenses, other than charges for power used by customers to run their servers and cool their space. Also, most of our leases provide for annual rent increases, generally at a rate of 2%-3% or a function of the consumer price index.

We lease power and space on a long-term basis, and our weighted average remaining lease term for commenced leases was approximately 6.3 years as of June 30, 2014. Less than 10% of our leases – in terms of annualized base rent – are scheduled to expire through 2016. In July 2014, the one lease expiring in 2014 totaling 1.14 MW was renewed for two years and now expires in 2016. Our ability to generate rental income over time will depend on our ability to retain customers when their leases expire or re-lease at attractive rates the power and space available from leases that expire and are not renewed or are otherwise terminated. Also, we receive expense reimbursement from customers only on power and space that is leased. Consequently, vacancies result in portions of our operating expenses being unreimbursed, which in turn negatively impacts our revenues and net income.

## Market Conditions

Changes in the conditions of any of the markets in which our operating properties are located will impact the overall performance of our current and future operating properties and our ability to fully lease our properties. The ability of our customers to fulfill their lease commitments could be impacted by future economic or regional downturns in the markets in which we operate or downturns in the technology industry.

As of the June 30, 2014, our operating portfolio was 96% leased on a CRSF basis and 95% leased on a critical load basis. The opportunity for revenue growth in the near term primarily depends on our ability to lease the remaining vacant space in our operating portfolio. The opportunity for revenue growth beyond the near term will depend on our ability to lease space at the two data center facilities currently under development - SC1 Phase IIB, located in Santa Clara, California and CH2 Phase I in Elk Grove Village, Illinois.

As of the July 23, 2014, we have two data center facilities with a significant amount of vacant space: ACC7 Phase I, which still was under development at June 30, 2014 but has since opened and has available for lease 83% of its critical load and 88% of its computer room floor space; and NJ1 Phase I, which opened in November 2010 and has available for lease 41% of its critical load power and 30% of its computer room floor space. The terms of the NJ1 Phase I lease entered into in the third quarter of 2013 provide for the lease of 25% of the square footage of computer room floor space of the facility, but only 12.5% of the total available critical load of the facility. During the term of this lease, the customer has the right to lease (at the then escalated rental rate) all or a portion of the critical load associated with the additional 12.5% of computer room floor space leased. If, however, this customer does not utilize this additional critical load power, it may not be possible for us to lease this available power to another customer as part of a NJ1 Phase I lease. A portion of this excess power was leased to a customer in July 2014. Consequently, although we will seek to divert the remaining excess power for use in NJ1 Phase II, if and when that phase is developed, there is no assurance that we will be able to utilize this critical load power in NJ1 Phase II.

As discussed above, when the data center facilities under development are completed, we will have an additional 16.2 MW of critical load available for use by customers: 9.10 MW at SC1 Phase IIB and 7.10 MW at CH2 Phase I. SC1 Phase IIB is expected to be placed into service late first quarter of 2015 and CH2 Phase I is expected to be placed into service in the third quarter of 2015. As of July 23, 2014, the entire critical load of each of these development projects remains available to be leased.

We take into account various factors when negotiating the terms of our leases, which can vary among leases, including the following factors: the customer's strategic importance, growth prospects and credit quality, the length of the lease term, the amount of power leased and competitive market conditions. In determining credit quality, if a prospective customer is a publicly held entity, we evaluate its publicly filed financial statements. If a prospective customer is a privately held entity, we request audited financial statements from the customer if they exist, and unaudited financial statements if audited financial statements do not exist. We also consider any relevant news, market or industry data related to a prospective or existing customer. Furthermore, we also evaluate an existing customer's payment history with us.

In each of our stabilized properties, we have been able to lease space and power at rates that provide a favorable return on our investment in these facilities. There appears to be pricing pressure in the markets in which we compete, including lower rates and increased concessions. It is unclear to what extent this will adversely impact the rental rates, and, in turn, the rates of return of our investment, that we can obtain as we pursue leasing available space and power. In particular, given that the weighted average remaining lease term for commenced leases was approximately 6.3 years as of June 30, 2014, it is difficult to predict the market conditions that will exist when the terms of our lease portfolio expires. If the current market conditions were to continue through the terms of these leases, the rental rates of a number of leases in our portfolio could be impacted adversely if the existing customer were to either vacate the space or renegotiate the rental rate as a condition to their renewal of the lease. If we are unable to lease vacant space with rents equal to or above historic rates, the returns on our investments we have achieved to date at the properties recently placed into service would be impacted negatively.

Our four largest customers comprised 62% of our annualized base rent as of June 30, 2014. None of the leases of our three largest customers have early termination rights. The fourth largest customer has early termination rights in certain of its leases, and we have reflected these leases in the Lease Expiration Table above at the early termination dates. We expect these customers to evaluate their lease expirations in the year before expiration is scheduled to occur, taking into account, among other factors, their anticipated need for server capacity and economic factors. If we cannot renew these leases at similar rates or attract replacement customers on similar terms in a timely manner, our rental income could be materially adversely impacted in future periods.

One of our four largest customers, which has leased our entire ACC2 data center facility and 13.65 MW, or 38%, of our ACC4 data center facility, has notified us of its intent to sublease this data center space to third parties, and has retained a real estate brokerage firm to market this space on its behalf. The term of the ACC2 lease expires in September 2015 and the term of the ACC4 lease expires in three equal tranches of 4.55 MW in June 2017, March 2018 and March 2019. For the 10.4 MW expiring in 2015 at our ACC2 data center facility, we are forecasting an approximate 20% decline in cash base rents upon re-leasing the vacant space. The lease agreements that govern this data center space each provide that the customer may sublease the leased premises, subject to our consent, which may not be conditioned, delayed or withheld unreasonably. Each of the leases provides that our consent to a sublease does not relieve the customer of its obligations under the lease, and the customer would remain primarily liable for payments under the terms of the lease. These leases represent 11% of our operating property portfolio.

We believe that it will be difficult for this customer to sublease this space because of the relatively short period of time remaining during the lease terms for this space, particularly in the case of the ACC2 space, and because lessees of data center space typically prefer a direct contractual relationship with the data center owner and operator, as opposed to the indirect relationship as a subtenant. Nevertheless, this additional inventory of available data center space could have a negative impact on demand for space that we have available in Northern Virginia and the rental rates for such space. Given this situation, we believe that it is unlikely that this customer will renew any of the leases for any of the space in ACC2 or ACC4 that it leases from us. We believe that we will be able to lease this space to new customers if and when the current customer vacates the space because we expect to have limited inventory in the Northern Virginia area as this space becomes available and we have been successful in re-leasing vacated space at our VA3 data center facility. We, however, cannot ensure that we will be able to attract replacement customers on similar terms in a timely manner for this space and, if we are unable to do so, our rental income could be materially adversely impacted in future periods.

Our taxable REIT subsidiary ("TRS"), DF Technical Services, LLC, generates revenue by providing certain technical services to our customers on a non-recurring contract or purchase-order basis, which we refer to as "a la carte" services. Such services include the installation of circuits, racks, breakers and other customer requested items. The TRS will generally charge customers for these services on a cost-plus basis. Because the degree of utilization of the TRS for these services varies from

period to period depending on the needs of the customers for technical services, we have limited ability to forecast future revenue from this source. Moreover, as a taxable corporation, the TRS is subject to federal, state and local corporate taxes and is not required to distribute its income, if any, to the Company for purposes of making additional distributions to DFT's stockholders. Because demand for its services is unpredictable, we anticipate that the TRS may retain a significant amount of its cash to fund future operations, and therefore we do not expect to receive distributions from the TRS on a regular basis.

In the current economic environment, certain types of real estate have experienced declines in value. If this trend were to be experienced by any of our data centers, we may have to write down the value of that data center, which would result in us recording a charge against earnings.

## Results of Operations

This Quarterly Report on Form 10-Q contains stand-alone unaudited financial statements and other financial data for each of DFT and the Operating Partnership. DFT is the sole general partner of the Operating Partnership and, as of June 30, 2014, owned 80.9% of the common economic interest in the Operating Partnership, of which approximately 1.0% is held as general partnership units. All of our operations are conducted by the Operating Partnership which is consolidated by DFT, and therefore the following information is the same for DFT and the Operating Partnership, except that net income attributable to redeemable noncontrolling interests is not a line item in the Operating Partnership's consolidated statement of operations.

### *Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013*

**Operating Revenue.** Operating revenue for the three months ended June 30, 2014 was \$102.0 million. This includes base rent of \$70.5 million, which includes our management fee, tenant recoveries of \$30.0 million and other revenue of \$1.5 million, primarily from a la carte projects for our customers performed by the TRS. This compares to revenue of \$91.6 million for the three months ended June 30, 2013. The increase of \$10.4 million, or 11.4%, was primarily due to new leases commencing at ACC6 Phase II, SC1 Phase I, SC1 Phase IIA, NJ1 Phase I and VA3 and increased power revenues at ACC6 Phase II, SC1 Phase I, CH1 Phase II and NJ1 Phase I.

**Operating Expenses.** Operating expenses for the three months ended June 30, 2014 were \$60.3 million, compared to \$56.6 million for the three months ended June 30, 2013. The increase of \$3.7 million, or 6.5%, was primarily due to increased power costs at ACC6 Phase II, SC1 Phase I, CH1 Phase II and NJ1 Phase I as well as a \$1.0 increase in other expense partially due to a la carte projects for our customers performed by the TRS. These increases were partially offset by a decrease in general and administrative expense of \$0.5 million primarily due to increases in capitalization for development properties.

**Interest Expense.** Interest expense, including amortization of deferred financing costs, for the three months ended June 30, 2014 was \$8.4 million compared to interest expense of \$13.3 million for the three months ended June 30, 2013. Total interest incurred for the three months ended June 30, 2014 was \$11.8 million, of which \$3.4 million was capitalized, as compared to \$13.6 million for the corresponding period in 2013, of which \$0.3 million was capitalized. The decrease in total interest was due primarily to refinancing our Unsecured Notes due 2017 in September 2013. Interest capitalized increased period over period as we had higher cumulative development costs paid for our development projects in the second quarter of 2014 compared to the second quarter of 2013.

**Loss on Early Extinguishment of Debt.** For the three months ended June 30, 2014, we incurred a loss of \$0.3 million due to the write-off of loan fees related to the amendment of the Unsecured Credit Facility in May 2014.

**Net Income Attributable to Redeemable Noncontrolling interests – Operating Partnership (DFT only).** Net income attributable to redeemable noncontrolling interests – operating partnership for the three months ended June 30, 2014 was \$5.0 million compared to \$3.0 million for the three months ended June 30, 2013. The increase of \$2.0 million was primarily due to the Operating Partnership receiving its allocation of higher net income, partially offset by a decrease in ownership of redeemable noncontrolling interests – operating partnership due to OP unitholders redeeming 0.4 million OP units in exchange for an equal number of shares of DFT's common stock during the period from April 1, 2013 through June 30, 2014.

**Net Income Attributable to Common Shares.** Net income attributable to common shares for the three months ended June 30, 2014 was \$21.1 million compared to \$12.0 million for the three months ended June 30, 2013. The increase of \$9.1 million was primarily due to higher operating revenue, lower interest expense and a decrease in ownership of redeemable noncontrolling interests – operating partnership due to redemptions of OP units by OP unitholders, each described above.



***Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013***

**Operating Revenue.** Operating revenue for the six months ended June 30, 2014 was \$204.0 million. This includes base rent of \$139.7 million, which includes our management fee, tenant recoveries of \$61.6 million and other revenue of \$2.7 million, partially from a la carte projects for our customers performed by the TRS. This compares to revenue of \$179.3 million for the six months ended June 30, 2013. The increase of \$24.7 million, or 13.8%, was primarily due to new leases commencing at ACC6 Phase II, SC1 Phase I, SC Phase IIA, CH1 Phase II, NJ1 Phase I and VA3 and increased power revenues at ACC6 Phase II, SC1 Phase I, CH1 Phase II and NJ1 Phase I.

**Operating Expenses.** Operating expenses for the six months ended June 30, 2014 were \$122.2 million, compared to \$112.1 million for the six months ended June 30, 2013. The increase of \$10.1 million, or 9.0%, was primarily due to increased power costs at ACC6 Phase II, SC1 Phase I, CH1 Phase II and NJ1 Phase I and an increase in other expense of \$1.1 million partially from a la carte projects for our customers performed by the TRS. These increases were partially offset by a decrease in general and administrative expense of \$0.8 million primarily due to increases in capitalization for development properties and a decrease in real estate taxes and insurance of \$0.4 million at SC1.

**Interest Expense.** Interest expense, including amortization of deferred financing costs, for the six months ended June 30, 2014 was \$17.0 million compared to interest expense of \$27.1 million for the six months ended June 30, 2013. Total interest incurred for the six months ended June 30, 2014 was \$23.5 million, of which \$6.5 million was capitalized, as compared to \$27.6 million for the corresponding period in 2013, of which \$0.5 million was capitalized. The decrease in total interest was due primarily to refinancing our Unsecured Notes due 2017 in September 2013. Interest capitalized increased period over period as we had higher cumulative development costs paid for our development projects in the first six months of 2014 compared to 2013.

**Loss on Early Extinguishment of Debt.** For the six months ended June 30, 2014, we incurred a loss of \$0.3 million due to the write-off of loan fees related to the amendment of the Unsecured Credit Facility in May 2014. For the six months ended June 30, 2013 we incurred a loss of \$1.7 million due to the write-off of loan fees related to the repayment of the ACC5 Term Loan in March 2013.

**Net Income Attributable to Redeemable Noncontrolling interests – Operating Partnership (DFT only).** Net income attributable to redeemable noncontrolling interests – operating partnership for the six months ended June 30, 2014 was \$9.8 million compared to \$4.9 million for the six months ended June 30, 2013. The increase of \$4.9 million was primarily due to the Operating Partnership receiving its allocation of higher net income, partially offset by a decrease in ownership of redeemable noncontrolling interests – operating partnership due to OP unitholders redeeming 3.2 million OP units in exchange for an equal number of shares of DFT's common stock during the period from January 1, 2013 through June 30, 2014.

**Net Income Attributable to Common Shares.** Net income attributable to common shares for the six months ended June 30, 2014 was \$41.2 million compared to \$19.9 million for the six months ended June 30, 2013. The increase of \$21.3 million was primarily due to higher operating revenue, lower interest expense and a decrease in ownership of redeemable noncontrolling interests – operating partnership due to redemptions of OP units by OP unitholders, each described above.

**Liquidity and Capital Resources*****Discussion of Cash Flows***

The discussion of cash flows below is for both DFT and the Operating Partnership. The only difference between the cash flows of DFT and the Operating Partnership for the six months ended June 30, 2014 was a \$4.2 million bank account at DFT that is not part of the Operating Partnership.

***Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013***

Net cash provided by operating activities increased by \$32.8 million, or 38.2%, to \$118.6 million for the six months ended June 30, 2014, as compared to \$85.8 million for the corresponding period in 2013. The increase is primarily due to higher cash rents from tenants and decreases in rents and other receivables and prepaid expenses and other assets, partially offset by decrease in prepaid rents and other liabilities and accounts payable and accrued liabilities.

Net cash used in investing activities increased by \$110.1 million to \$135.5 million for the six months ended June 30, 2014 compared to \$25.4 million for the corresponding period in 2013. The majority of cash used in investing activities in each period was expenditures for projects under development. During the six months ended June 30, 2014, we had two projects in the later stages of development, while we only had one project in the early stage of development during the corresponding period in 2013. Accordingly, development costs paid during the six months ended June 30, 2014 were \$107.6 million higher



compared to the corresponding period in 2013, and interest capitalized on these projects increased \$5.7 million. Also, improvements to real estate decreased by \$3.3 million for the six months ended June 30, 2014 due to a battery replacement project at VA4 and a lobby upgrade at VA3 that occurred in corresponding period in 2013.

Net cash provided by financing activities was \$34.3 million for the six months ended June 30, 2014 compared to net cash used in financing activities of \$69.6 million in the corresponding period in 2013. Cash provided by financing activities for the six months ended June 30, 2014 consisted of \$96.0 million of proceeds from the final draw of the Unsecured Term Loan and \$3.5 million of proceeds received from stock option exercises, partially offset by \$62.3 million paid for dividends and distributions and the payment of \$3.5 million of financing costs related to the amendments of the Revolving Credit Facility and the ACC3 Term Loan. Cash used in financing activities for the six months ended June 30, 2013 consisted of the repayment of the ACC5 Term Loan of \$138.3 million, \$37.8 million paid for common stock repurchases, \$46.2 million paid for dividends and distributions, \$3.0 million in financing costs related to the ACC3 Term Loan and the amendment of the line of credit and \$1.3 million of principal payments on the ACC5 Term Loan, partially offset by \$115.0 million of proceeds from the closing of the ACC3 Term Loan and \$42.0 million net borrowings under the Unsecured Credit Facility.

### Market Capitalization

The following table sets forth our total market capitalization as of June 30, 2014:

#### *Capital Structure as of June 30, 2014 (in thousands except per share data)*

|   |      |        |                     |        |
|---|------|--------|---------------------|--------|
| Line of Credit  |      | \$     | —                   |        |
| Mortgage Notes Payable                                  |      |        | 115,000             |        |
| Unsecured Term Loan                                     |      |        | 250,000             |        |
| Unsecured Notes   |      |        | 600,000             |        |
| <b>Total Debt</b>                                       |      |        | <u>965,000</u>      | 27.5%  |
| Common Shares   | 81%  | 65,832 |                     |        |
| Operating Partnership (“OP”) Units                      | 19%  | 15,571 |                     |        |
| Total Shares and Units                                  | 100% | 81,403 |                     |        |
| Common Share Price at June 30, 2014                     |      | \$     | 26.96               |        |
| Common Share and OP Unit Capitalization                 |      |        | \$ 2,194,625        |        |
| Preferred Stock (\$25 per share liquidation preference) |      |        | 351,250             |        |
| <b>Total Equity</b>                                     |      |        | <u>2,545,875</u>    | 72.5%  |
| <b>Total Market Capitalization</b>                      |      |        | <u>\$ 3,510,875</u> | 100.0% |

### Capital Resources

The development and construction of wholesale data centers is very capital intensive. This development not only requires us to make substantial capital investments, but also increases our operating expenses, which impacts our cash flows from operations negatively until leases are executed and we begin to collect cash rents from these leases. In addition, because DFT has elected to be taxed as a REIT for federal income tax purposes, DFT is required to distribute at least 90% of “REIT taxable income,” excluding any net capital gain, to its stockholders annually.

We generally fund the majority of the cost of data center development from additional capital, which, for future developments, we would expect to obtain through unsecured and secured borrowings, construction financings and the issuance of additional preferred and/or common equity, when market conditions permit. In determining the source of capital to meet our long-term liquidity needs, we will evaluate our level of indebtedness and covenants, in particular with respect to the covenants under our unsecured notes and unsecured line of credit, our expected cash flow from operations, the state of the capital markets, interest rates and other terms for borrowing, and the relative timing considerations and costs of borrowing or issuing equity securities.

DFT's Board of Directors has approved a common stock repurchase program that commenced in November 2013 and expires on December 31, 2014. This program allows purchases of up to \$122.2 million. No shares were repurchased during the six months ended June 30, 2014.

DFT's ability to pay dividends to its stockholders is dependent on the receipt of distributions from the Operating Partnership, which in turn is dependent on the data center properties generating operating income. The indenture that governs

our Unsecured Notes due 2021 limits DFT's ability to pay dividends, but allows DFT to pay the minimum necessary to meet its REIT income distribution requirements.

A summary of our total debt as of June 30, 2014 and December 31, 2013 is as follows:

***Debt Summary as of June 30, 2014 and December 31, 2013***  
***(\$ in thousands)***

|                           | June 30, 2014     |             |             |                    | December 31, 2013 |
|---------------------------|-------------------|-------------|-------------|--------------------|-------------------|
|                           | Amounts           | % of Total  | Rates       | Maturities (years) | Amounts           |
| Secured                   | \$ 115,000        | 12%         | 1.7%        | 3.7                | \$ 115,000        |
| Unsecured                 | 850,000           | 88%         | 4.7%        | 6.5                | 754,000           |
| Total                     | <u>\$ 965,000</u> | <u>100%</u> | <u>4.3%</u> | <u>6.1</u>         | <u>\$ 869,000</u> |
| Fixed Rate Debt:          |                   |             |             |                    |                   |
| Unsecured Notes due 2021  | \$ 600,000        | 62%         | 5.9%        | 7.2                | \$ 600,000        |
| Fixed Rate Debt           | <u>600,000</u>    | <u>62%</u>  | <u>5.9%</u> | <u>7.2</u>         | <u>600,000</u>    |
| Floating Rate Debt:       |                   |             |             |                    |                   |
| Unsecured Credit Facility | —                 | —           | —           | 3.9                | —                 |
| Unsecured Term Loan       | 250,000           | 26%         | 1.9%        | 4.6                | 154,000           |
| ACC3 Term Loan            | 115,000           | 12%         | 1.7%        | 3.7                | 115,000           |
| Floating Rate Debt        | <u>365,000</u>    | <u>38%</u>  | <u>1.8%</u> | <u>4.4</u>         | <u>269,000</u>    |
| Total                     | <u>\$ 965,000</u> | <u>100%</u> | <u>4.3%</u> | <u>6.1</u>         | <u>\$ 869,000</u> |

## Outstanding Indebtedness

### *ACC3 Term Loan*

On May 9, 2014, we amended our \$115 million term loan facility (the "ACC3 Term Loan") to, among other things, reduce the rate at which borrowings will bear interest. Per the amendment, the borrower, one of our subsidiaries, may elect to have borrowings under the facility bear interest at (i) LIBOR plus 1.55% (in lieu of the original margin of 1.85%) or (ii) a base rate, which is based on the lender's prime rate, plus 0.55% (in lieu of the original margin of 0.85%). The interest rate is currently at LIBOR plus 1.55%. The ACC3 Term Loan matures on March 27, 2018, and we may prepay the ACC3 Term Loan at any time, in whole or in part, without penalty or premium.

The ACC3 Term Loan is secured by the ACC3 data center and an assignment of the lease agreement between us and the customer of ACC3. The Operating Partnership has guaranteed the outstanding principal amount of the ACC3 Term Loan, plus interest and certain costs under the loan.

The ACC3 Term Loan imposes financial maintenance covenants relating to, among other things, the following matters:

- consolidated total indebtedness of the Operating Partnership not exceeding 60% of gross asset value of the Operating Partnership;
- fixed charge coverage ratio of the Operating Partnership being not less than 1.70 to 1.00;
- tangible net worth of the Operating Partnership being not less than \$1.3 billion plus 80% of the sum of (i) net equity offering proceeds and (ii) the value of equity interests issued in connection with a contribution of assets to the Operating Partnership or its subsidiaries; and
- debt service coverage ratio of the borrower not less than 1.50 to 1.00.

We were in compliance with all of the covenants under the loan as of June 30, 2014.

### *Unsecured Term Loan*

On September 13, 2013, the Operating Partnership entered into a \$195.0 million unsecured term loan facility (the "Unsecured Term Loan"). The Unsecured Term Loan matures on February 15, 2019, with no extension option.

The Unsecured Term Loan includes an accordion feature permitting an increase in the amount of the loan by up to an additional \$55 million. On October 18, 2013, we exercised the accordion and the Unsecured Term Loan was increased to \$250 million. As of December 31, 2013 we had drawn \$154.0 million under this loan and the remaining \$96.0 million was advanced on January 10, 2014.

Under the terms of the Unsecured Term Loan, we may elect to have borrowings under the loan bear interest at either LIBOR or a base rate, which is based on the lender's prime rate, in each case plus an applicable margin. Prior to our receiving an investment grade credit rating, the applicable margin added to LIBOR and the base rate is based on the table below.

| Pricing Level | Ratio of Total Indebtedness to Gross Asset Value | Applicable Margin |                 |
|---------------|--|-------------------|-----------------|
|               |  | LIBOR Rate Loans  | Base Rate Loans |
| Level 1       | Less than or equal to 35%                        | 1.75%             | 0.75%           |
| Level 2       | Greater than 35% but less than or equal to 40%   | 1.90%             | 0.90%           |
| Level 3       | Greater than 40% but less than or equal to 45%   | 2.05%             | 1.05%           |
| Level 4       | Greater than 45% but less than or equal to 52.5% | 2.20%             | 1.20%           |
| Level 5       | Greater than 52.5%                               | 2.40%             | 1.40%           |

As of June 30, 2014, the applicable margin was set at pricing level 1. The terms of the loan provide for the adjustment of the applicable margin from time to time according to the ratio of the Operating Partnership's total indebtedness to gross asset value in effect from time to time.

The terms of the loan also provide that, in the event we receive an investment grade credit rating, borrowings under the loan will bear interest based on the table below.

| Credit Rating Level | Credit Rating   | Applicable Margin |                 |
|---------------------|---|-------------------|-----------------|
|                     |   | LIBOR Rate Loans  | Base Rate Loans |
| Level 1             | Greater than or equal to A- by S&P or A3 by Moody's     | 0.95%             | 0.00%           |
| Level 2             | Greater than or equal to BBB+ by S&P or Baa1 by Moody's | 1.05%             | 0.05%           |
| Level 3             | Greater than or equal to BBB by S&P or Baa2 by Moody's  | 1.20%             | 0.20%           |
| Level 4             | Greater than or equal to BBB- by S&P or Baa3 by Moody's | 1.50%             | 0.50%           |
| Level 5             | Less than BBB- by S&P or Baa3 by Moody's                | 1.95%             | 0.95%           |

Following the receipt of such investment grade rating, the terms of the loan provide for the adjustment of the applicable margin from time to time according to the rating then in effect.

In July 2014, we executed an amendment to our Unsecured Term Loan that reduced the interest rate and extended the maturity date to July 21, 2019.

Under the terms of the amendment, we may elect to have borrowings under the loan bear interest at either LIBOR or a base rate, which is based on the lender's prime rate, in each case plus an applicable margin. Prior to our receiving an investment grade credit rating, the applicable margin added to LIBOR and the base rate is based on the table below.

| Pricing Level | Ratio of Total Indebtedness to Gross Asset Value | Applicable Margin |                 |
|---------------|--|-------------------|-----------------|
|               |  | LIBOR Rate Loans  | Base Rate Loans |
| Level 1       | Less than or equal to 35%                        | 1.50%             | 0.50%           |
| Level 2       | Greater than 35% but less than or equal to 40%   | 1.60%             | 0.60%           |
| Level 3       | Greater than 40% but less than or equal to 45%   | 1.75%             | 0.75%           |
| Level 4       | Greater than 45% but less than or equal to 52.5% | 1.90%             | 0.90%           |
| Level 5       | Greater than 52.5%                               | 2.10%             | 1.10%           |

The applicable margin is currently set at pricing level 1. The terms of the amendment also provide that, in the event we receive an investment grade credit rating, borrowings under the loan will bear interest based on the table below.

| Credit Rating Level | Credit Rating   | Applicable Margin |                 |
|---------------------|---|-------------------|-----------------|
|                     |   | LIBOR Rate Loans  | Base Rate Loans |
| Level 1             | Greater than or equal to A- by S&P or A3 by Moody's     | 0.825%            | 0.00%           |
| Level 2             | Greater than or equal to BBB+ by S&P or Baa1 by Moody's | 0.875%            | 0.00%           |
| Level 3             | Greater than or equal to BBB by S&P or Baa2 by Moody's  | 1.00%             | 0.00%           |
| Level 4             | Greater than or equal to BBB- by S&P or Baa3 by Moody's | 1.25%             | 0.25%           |
| Level 5             | Less than BBB- by S&P or Baa3 by Moody's                | 1.65%             | 0.65%           |

The Unsecured Term Loan is unconditionally guaranteed jointly and severally, on a senior unsecured basis by DFT and the direct and indirect subsidiaries of DFT that guaranty the obligations of the Unsecured Credit Facility (as defined below).

The Unsecured Term Loan requires that we comply with various covenants that are substantially the same as those applicable under the Unsecured Credit Facility, including with respect to restrictions on liens, incurring indebtedness, making investments, effecting mergers and/or asset sales, and certain restrictions on dividend payments. In addition, the Unsecured Term Loan imposes financial maintenance covenants substantially the same as those under the Unsecured Credit Facility relating to, among other things, the following matters:

- unsecured debt not exceeding 60% of the value of unencumbered assets;
- net operating income generated from unencumbered properties divided by the amount of unsecured debt being not less than 12.5%;
- total indebtedness not exceeding 60% of gross asset value;
- fixed charge coverage ratio being not less than 1.70 to 1.00; and
- tangible net worth being not less than \$1.3 billion plus 80% of the sum of (i) net equity offering proceeds after March 21, 2012 and (ii) the value of equity interests issued in connection with a contribution of assets to the Operating Partnership or its subsidiaries after March 21, 2012.

The Unsecured Term Loan includes customary events of default, the occurrence of which, following any applicable cure period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations under the loan to be immediately due and payable.

We were in compliance with all of the covenants under the loan as of June 30, 2014.

#### *Unsecured Notes due 2021*

On September 24, 2013, the Operating Partnership completed the sale of \$600 million of 5.875% unsecured notes due 2021 (the "Unsecured Notes due 2021"). The Unsecured Notes due 2021 were issued at face value and mature on September 15, 2021. We pay interest on the Unsecured Notes due 2021 semi-annually, in arrears, on March 15th and September 15th of each year.

The Unsecured Notes due 2021 are unconditionally guaranteed, jointly and severally on a senior unsecured basis by DFT and certain of the Operating Partnership's subsidiaries, including the subsidiaries that own the ACC2, ACC4, ACC5, ACC6, VA3, VA4, CH1, NJ1 and SC1 data centers and the SC2 parcel of land (collectively, the "Subsidiary Guarantors"), but excluding the subsidiaries that own the ACC3 data center facility, the ACC7 and CH2 data centers under development, the ACC8 parcel of land, our taxable REIT subsidiary, DF Technical Services, LLC and our property management subsidiary, DF Property Management LLC.

The Unsecured Notes due 2021 rank (i) equally in right of payment with all of the Operating Partnership's existing and future senior unsecured indebtedness, (ii) senior in right of payment with all of its existing and future subordinated indebtedness, (iii) effectively subordinate to any of the Operating Partnership's existing and future secured indebtedness and (iv) effectively junior to any liabilities of any subsidiaries of the Operating Partnership that do not guarantee the Unsecured Notes due 2021. The guarantees of the Unsecured Notes due 2021 by DFT and the Subsidiary Guarantors rank (i) equally in right of payment with such guarantor's existing and future senior unsecured indebtedness, (ii) senior in right of payment with all of such guarantor's existing and future subordinated indebtedness and (iii) effectively subordinate to any of such guarantor's existing and future secured indebtedness.

At any time prior to September 15, 2016, the Operating Partnership may redeem the Unsecured Notes due 2021, in whole or in part, at a price equal to the sum of (i) 100% of the principal amount of the Unsecured Notes due 2021 to be redeemed, plus (ii) a make-whole premium and accrued and unpaid interest. The Unsecured Notes due 2021 may be redeemed at the Operating Partnership's option, in whole or in part, at any time, on and after September 15, 2016 at the following redemption prices (expressed as percentages of the principal amount thereof) if redeemed during the 12-month period commencing September 15 of the years indicated below, in each case together with accrued and unpaid interest to the date of redemption:

| <u>Year</u>         | <u>Redemption Price</u> |
|---------------------|-------------------------|
| 2016                | 104.406%                |
| 2017                | 102.938%                |
| 2018                | 101.469%                |
| 2019 and thereafter | 100.000%                |

If there is a change of control (as defined in the indenture governing the Unsecured Notes due 2021) of the Operating Partnership or DFT, we must offer to purchase the Unsecured Notes due 2021 at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest. In addition, in certain circumstances we may be required to use the net proceeds of asset sales to purchase a portion of the Unsecured Notes due 2021 at 100% of the principal amount thereof, plus accrued and unpaid interest.

The Unsecured Notes due 2021 have certain covenants limiting or prohibiting the ability of the Operating Partnership and certain of its subsidiaries from, among other things, (i) incurring secured or unsecured indebtedness, (ii) entering into sale and leaseback transactions, (iii) making certain dividend payments, distributions, purchases of DFT's common stock and investments, (iv) entering into transactions with affiliates, (v) entering into agreements limiting the ability to make certain transfers and other payments from subsidiaries, (vi) engaging in sales of assets or (vii) engaging in certain mergers, consolidations or transfers/sales of all or substantially all assets. However, DFT may pay the minimum dividend necessary to meet its REIT income distribution requirements.

The Unsecured Notes due 2021 also require the Operating Partnership and the Subsidiary Guarantors to maintain total unencumbered assets of at least 150% of their unsecured debt on a consolidated basis. The Unsecured Notes due 2021 also have customary events of default, including, but not limited to, nonpayment, breach of covenants, and payment or acceleration defaults in certain other indebtedness of ours or certain of our subsidiaries. Upon an event of default, the holders of the Unsecured Notes due 2021 or the trustee may declare the Unsecured Notes due 2021 due and immediately payable. We were in compliance with all covenants under the Unsecured Notes due 2021 as of June 30, 2014.

#### *Unsecured Credit Facility*

On May 13, 2014, we amended our unsecured revolving credit facility ("Unsecured Credit Facility"), resulting in an increase in total commitment from \$400 million to \$560 million and a reduction of the rate at which borrowings will bear interest. The fifth amendment also provided us with the ability to, at our option, increase the total commitment under the facility to \$800 million, if one or more lenders commit to being a lender for the additional amount and certain other customary conditions are met. The amendment also extended the maturity date from March 21, 2016 to May 13, 2018, with a one-year extension option, subject to the payment of an extension fee equal to 15 basis points on the total commitment in effect on such initial maturity date and certain other customary conditions. Because the composition of lenders comprising our bank group changed in conjunction with executing the amendment, we incurred a partial write-off of unamortized deferred financing costs related to the Unsecured Credit Facility totaling \$0.3 million.

Under the terms of the amended facility, we may elect to have borrowings under the facility bear interest at either LIBOR or a base rate, which is based on the lender's prime rate, in each case plus an applicable margin. Prior to our receiving an investment grade credit rating, the applicable margin added to LIBOR and the base rate is based on the table below.

| <u>Pricing Level</u> | <u>Ratio of Total Indebtedness to Gross Asset Value</u> | <u>Applicable Margin</u> |                        |
|----------------------|---|--------------------------|------------------------|
|                      |   | <u>LIBOR Rate Loans</u>  | <u>Base Rate Loans</u> |
| Level 1              | Less than or equal to 35%                               | 1.55%                    | 0.55%                  |
| Level 2              | Greater than 35% but less than or equal to 40%          | 1.65%                    | 0.65%                  |
| Level 3              | Greater than 40% but less than or equal to 45%          | 1.80%                    | 0.80%                  |
| Level 4              | Greater than 45% but less than or equal to 52.5%        | 1.95%                    | 0.95%                  |
| Level 5              | Greater than 52.5%                                      | 2.15%                    | 1.15%                  |

As of June 30, 2014, the applicable margin was set at pricing level 1. The terms of the facility provide for the adjustment of the applicable margin from time to time according to the ratio of the Operating Partnership's total indebtedness to gross asset value in effect from time to time.

The terms of the fifth amendment also provide that, in the event we receive an investment grade credit rating, borrowings under the facility will bear interest based on the table below.

| Credit Rating Level | Credit Rating   | Applicable Margin |                 |
|---------------------|---|-------------------|-----------------|
|                     |   | LIBOR Rate Loans  | Base Rate Loans |
| Level 1             | Greater than or equal to A- by S&P or A3 by Moody's     | 0.875%            | 0.00%           |
| Level 2             | Greater than or equal to BBB+ by S&P or Baa1 by Moody's | 0.925%            | 0.00%           |
| Level 3             | Greater than or equal to BBB by S&P or Baa2 by Moody's  | 1.05%             | 0.05%           |
| Level 4             | Greater than or equal to BBB- by S&P or Baa3 by Moody's | 1.30%             | 0.30%           |
| Level 5             | Less than BBB- by S&P or Baa3 by Moody's                | 1.70%             | 0.70%           |

Following the receipt of such investment grade rating, the terms of the facility provide for the adjustment of the applicable margin from time to time according to the rating then in effect.

The facility is unconditionally guaranteed, jointly and severally, on a senior unsecured basis by DFT and all of the Operating Partnership's subsidiaries that currently guaranty the obligations under the Unsecured Notes due 2021, listed above.

The amount available for borrowings under the facility is determined according to a calculation comparing the value of certain unencumbered properties designated by the Operating Partnership at such time relative to the amount of the Operating Partnership's unsecured debt. Up to \$35 million of the borrowings under the facility may be used for letters of credit.

As of June 30, 2014, a letter of credit totaling less than \$0.1 million was outstanding under the facility. There were no borrowings outstanding.

The facility requires that DFT, the Operating Partnership and their subsidiaries comply with various covenants, including with respect to restrictions on liens, incurring indebtedness, making investments, effecting mergers and/or asset sales, and certain limits on dividend payments, distributions and purchases of DFT's stock. In addition, the facility imposes financial maintenance covenants relating to, among other things, the following matters:

- unsecured debt not exceeding 60% of the value of unencumbered assets;
- net operating income generated from unencumbered properties divided by the amount of unsecured debt being not less than 12.5%;
- total indebtedness not exceeding 60% of gross asset value;
- fixed charge coverage ratio being not less than 1.70 to 1.00; and
- tangible net worth being not less than \$1.3 billion plus 80% of the sum of (i) net equity offering proceeds and (ii) the value of equity interests issued in connection with a contribution of assets to the Operating Partnership or its subsidiaries.

The facility includes customary events of default, the occurrence of which, following any applicable cure period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations of the Operating Partnership under the facility to be immediately due and payable. We were in compliance with all covenants under the facility as of June 30, 2014.

### **Indebtedness Retired During 2013**

#### *ACC5 Term Loan*

On December 2, 2009, we entered into a \$150 million term loan facility (the "ACC5 Term Loan"). In March 2013, we paid off the \$138.3 million remaining balance of the ACC5 Term Loan which resulted in a write-off of unamortized deferred financing costs of \$1.7 million in the first quarter of 2013. The ACC5 Term Loan was scheduled to mature on December 2, 2014 and bore interest at LIBOR plus 3.00%.



### Unsecured Notes due 2017

On December 16, 2009, the Operating Partnership completed the sale of \$550 million of 8.5% unsecured notes due 2017 (the “Unsecured Notes due 2017”). The Unsecured Notes due 2017 were issued at face value. We paid interest on the Unsecured Notes due 2017 semi-annually, in arrears, on December 15 and June 15 of each year. In September 2013, we commenced a tender offer to repurchase the notes at 106.04%. Under the early deadline for this offer, \$418.1 million of these notes were tendered and we paid \$25.5 million in tender consideration and fees, in addition to accrued interest due through the repayment date. The early repayment of these notes resulted in a write-off of unamortized deferred financing costs of \$5.1 million. The remaining \$131.9 million of Unsecured Notes due 2017 were irrevocably called in September 2013 and paid off in October 2013 at a premium of \$7.1 million, which resulted in the write-off the remaining unamortized deferred financing costs related to these notes totaling \$1.6 million.

A summary of our debt maturity schedule as of June 30, 2014 is as follows:

#### **Debt Maturity as of June 30, 2014** **(\$ in thousands)**

| Year         | Fixed Rate        | Floating Rate     | Total             | % of Total  | Rates       |
|--------------|-------------------|-------------------|-------------------|-------------|-------------|
| 2014         | —                 | —                 | —                 | —           | —           |
| 2015         | —                 | —                 | —                 | —           | —           |
| 2016         | —                 | 3,750 (2)         | 3,750             | 0.4%        | 1.7%        |
| 2017         | —                 | 8,750 (2)         | 8,750             | 0.9%        | 1.7%        |
| 2018         | —                 | 102,500 (2)       | 102,500           | 10.6%       | 1.7%        |
| 2019         | —                 | 250,000 (3)       | 250,000           | 25.9%       | 1.9%        |
| 2020         | —                 | —                 | —                 | —           | —           |
| 2021         | 600,000 (1)       | —                 | 600,000           | 62.2%       | 5.9%        |
| <b>Total</b> | <b>\$ 600,000</b> | <b>\$ 365,000</b> | <b>\$ 965,000</b> | <b>100%</b> | <b>4.3%</b> |

- (1) The 5.875% Unsecured Notes mature on September 15, 2021.
- (2) The ACC3 Term Loan matures on March 27, 2018 with no extension option. Quarterly principal payments of \$1.25 million begin on April 1, 2016, increase to \$2.5 million on April 1, 2017 and continue through maturity.
- (3) The Unsecured Term Loan matures on July 21, 2019 with no extension option.

### Contractual Obligations

The following table summarizes our contractual obligations as of June 30, 2014, including the maturities assuming extension options are not exercised and scheduled principal repayments of the ACC3 Term Loan (in thousands):

| Obligation                              | 2014              | 2015-2016        | 2017-2018         | Thereafter        | Total               |
|---|-------------------|------------------|-------------------|-------------------|---------------------|
| Long-term debt obligations              | \$ —              | \$ 3,750         | \$ 111,250        | \$ 850,000        | \$ 965,000          |
| Interest on long-term debt obligations  | 21,567            | 86,128           | 83,781            | 125,020           | 316,496             |
| Construction costs payable              | 25,032            | —                | —                 | —                 | 25,032              |
| Commitments under development contracts | 54,572            | —                | —                 | —                 | 54,572              |
| Operating leases                        | 205               | 701              | —                 | —                 | 906                 |
| <b>Total</b>                            | <b>\$ 101,376</b> | <b>\$ 90,579</b> | <b>\$ 195,031</b> | <b>\$ 975,020</b> | <b>\$ 1,362,006</b> |

### Off-Balance Sheet Arrangements

As of June 30, 2014, the Company did not have any off-balance sheet arrangements.



## Funds From Operations

| (in thousands)                                      | Three months ended June 30, |           | Six months ended June 30, |           |
|---|-----------------------------|-----------|---------------------------|-----------|
|   | 2014                        | 2013      | 2014                      | 2013      |
| Net income  | \$ 32,958                   | \$ 21,747 | \$ 64,602                 | \$ 38,474 |
| Depreciation and amortization                       | 23,603                      | 23,196    | 46,872                    | 46,235    |
| Less: Non real estate depreciation and amortization | (185)                       | (229)     | (357)                     | (471)     |
| FFO (1)   | \$ 56,376                   | \$ 44,714 | \$ 111,117                | \$ 84,238 |

- (1) Funds from operations, or FFO, is used by industry analysts and investors as a supplemental operating performance measure for REITs. We calculate FFO in accordance with the definition that was adopted by the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT. FFO, as defined by NAREIT, represents net income determined in accordance with GAAP, excluding extraordinary items as defined under GAAP, impairment charges on depreciable real estate assets and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

We use FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared period over period, captures trends in occupancy rates, rental rates and operating expenses. We also believe that, as a widely recognized measure of the performance of equity REITs, FFO may be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes real estate related depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited.

While FFO is a relevant and widely used measure of operating performance of equity REITs, other equity REITs may use different methodologies for calculating FFO and, accordingly, FFO as disclosed by such other REITs may not be comparable to our FFO. Therefore, we believe that in order to facilitate a clear understanding of our historical operating results, FFO should be examined in conjunction with net income as presented in the consolidated statements of operations. FFO should not be considered as an alternative to net income or to cash flow from operating activities (each as computed in accordance with GAAP) or as an indicator of our liquidity, nor is it indicative of funds available to meet our cash needs, including our ability to pay dividends or make distributions.

## Critical Accounting Policies

### *Recently Issued Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under GAAP. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. We will be required to apply the new standard in the first quarter of 2017 and are assessing whether the new standard will have a material effect on our financial position or results of operations.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our future income, cash flows and fair values relevant to our financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates.

Our variable rate debt consists of the ACC3 Term Loan, the Unsecured Term Loan and the Unsecured Credit Facility. The ACC3 Term Loan, the Unsecured Term Loan and the Unsecured Credit Facility all currently bear interest at a rate equal to LIBOR plus an applicable margin. If interest rates were to increase by 1%, the increase in interest expense on our variable rate debt outstanding as of June 30, 2014 would decrease future net income and cash flows by \$3.7 million annually less the impact of capitalization of interest incurred on net income. Because one month LIBOR was approximately 0.15% at June 30, 2014, a decrease of 0.15% would increase future net income and cash flows by \$0.5 million annually less the impact of capitalization of interest incurred on net income. Interest risk amounts were determined by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we may take specific actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure. We believe that we have effectively managed interest rate exposure because the majority of our indebtedness bears a fixed rate of interest. As of June 30, 2014, 62% of our indebtedness was fixed rate debt. We also utilize preferred stock to raise capital, the dividends required under the terms of which have a coupon rate that is fixed.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Controls and Procedures with Respect to DFT**

#### *Evaluation of Disclosure Controls and Procedures*

DFT's management, with the participation of DFT's President and Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of DFT's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that as of the end of the period covered by this report, DFT's disclosure controls and procedures were effective.

#### *Changes in Internal Control Over Financial Reporting*

There have been no changes in DFT's internal control over financial reporting (as such term is defined in Rules 13a-15(f) or 15a-15(f) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that occurred during the six months ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, DFT's internal control over financial reporting.

### **Controls and Procedures with Respect to the Operating Partnership**

#### *Evaluation of Disclosure Controls and Procedures*

DFT's management, with the participation of DFT's President and Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Operating Partnership's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that as of the end of the period covered by this report, the Operating Partnership's disclosure controls and procedures were effective.

#### *Changes in Internal Control Over Financial Reporting*

There have been no changes in the Operating Partnership's internal control over financial reporting (as such term is defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) that occurred during the three months ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

None.

**ITEM 1.A RISK FACTORS**

None.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS.**

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
| 10.1               | First Amendment to Credit Agreement, dated as of May 9, 2014, by and among Quill Equity LLC, as Borrower, DuPont Fabros Technology, L.P., as Guarantor, KeyBank National Association, as Agent and a Lender, and the other lending institutions that are parties thereto (and the other lending institutions that may become party thereto), as Lenders (Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed by the Registrant on May 14, 2014).   |
| 10.2               | Fifth Amendment to Credit Agreement and Other Loan Documents, dated as of May 13, 2014, by and among DuPont Fabros Technology, L.P., as Borrower, DuPont Fabros Technology, Inc., as a guarantor, and the subsidiaries of Borrower that are parties thereto, as Subsidiary Guarantors, KeyBank National Association as Agent and a Lender, and the other lending institutions that are parties thereto, as Lenders (Incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K, filed by the Registrant on May 14, 2014).  |
| 31.1*              | Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (DuPont Fabros Technology, Inc.).   |
| 31.2*              | Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (DuPont Fabros Technology, Inc.).   |
| 31.3*              | Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (DuPont Fabros Technology, L.P.).   |
| 31.4*              | Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (DuPont Fabros Technology, L.P.).   |
| 32.1*              | Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (DuPont Fabros Technology, Inc.).   |
| 32.2*              | Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (DuPont Fabros Technology, L.P.).   |
| 101*               | XBRL (eXtensible Business Reporting Language). The following materials from DFT's and the Operating Partnership's Quarterly Report on Form 10-Q for the period ended June 30, 2014, formatted in XBRL: (i) consolidated balance sheets, (ii) consolidated statements of operations, (iii) consolidated statements of cash flows, and (iv) consolidated statements of stockholders' equity and partners' capital, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text. As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purpose of Sections 11 and 12 of the Securities Act and Section 18 of the Exchange Act. |

\* Filed herewith.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DUPONT FABROS TECHNOLOGY, INC.

Date: July 24, 2014

By: /s/ Jeffrey H. Foster

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Jeffrey H. Foster  
Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

DUPONT FABROS TECHNOLOGY, L.P.

By: DuPont Fabros Technology, Inc., its sole general partner

Date: July 24, 2014

By: /s/ Jeffrey H. Foster

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Jeffrey H. Foster  
Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

## Exhibit Index

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\* Filed herewith.